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BUSINESS WEEK

YEAR
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Black Star

Twenty years after the first Armistice Day, the cost of U. S. armaments is a growing factor in the business outlook.

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY

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THERE GOES THE 50,000th **WARNER & SWASEY**



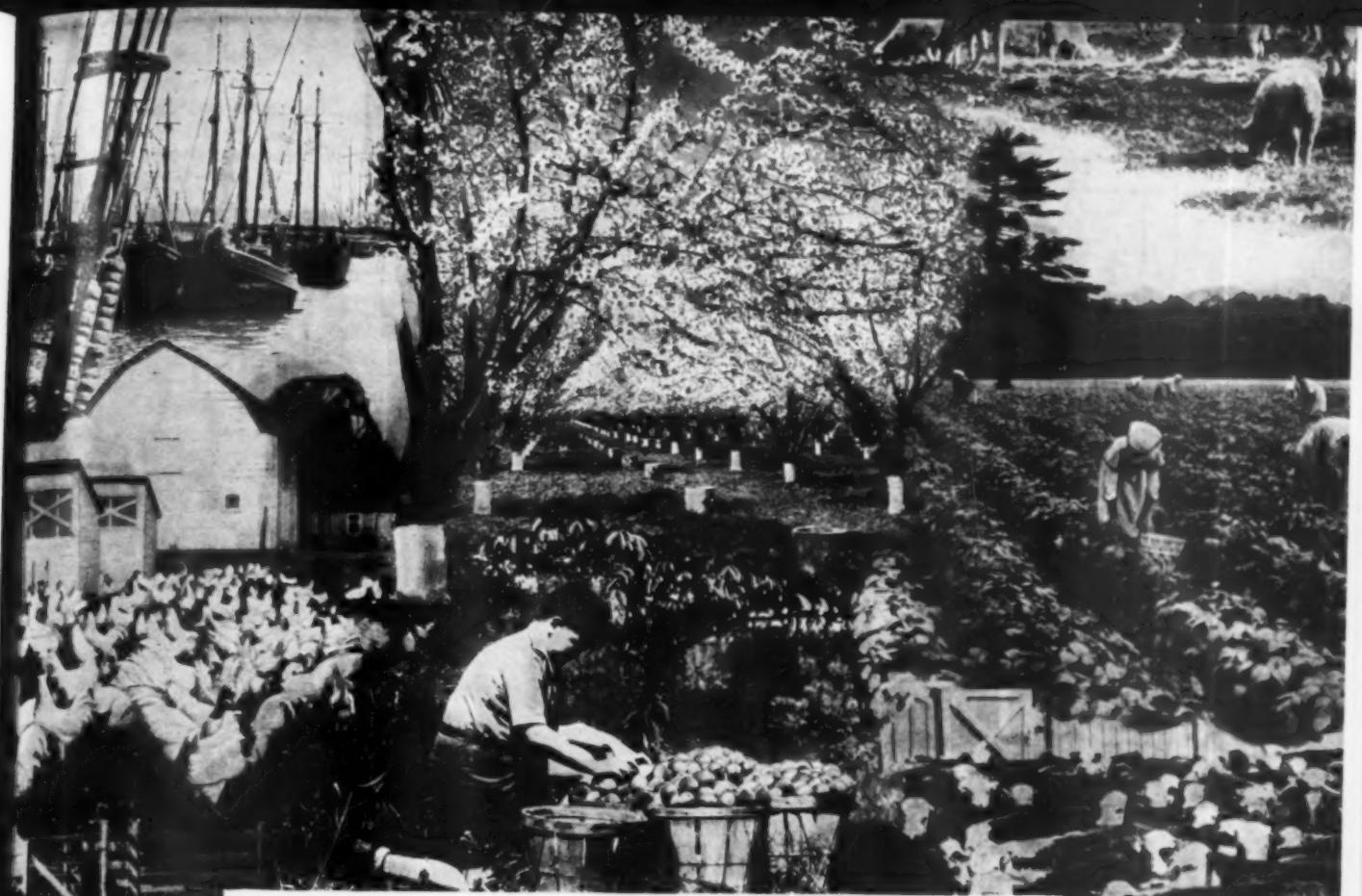
—and when you do your best for
50,000 times, it gets to be a habit.

On September 29th, 1938, the 50,000th
Warner & Swasey machine tool was shipped
to its new owner—the Pratt & Whitney Company.
Most of those 50,000 (all, for a generation) have
been turret lathes, for we found out early that
to keep this one machine abreast of American
industry was enough for any one company.

To produce those 50,000 machine tools has
given years of work to thousands of men. And,
in action, these Warner & Swaseys have helped
thousands of workmen earn higher wages than
they could ever have earned with the old-style
tools of production, and they have helped
thousands of companies improve their products
and lower their costs.

You can turn it better, faster, for less... with a Warner & Swasey

**WARNER
&
SWASEY**
Turret Lathes
Cleveland



Delicious Foods in Tin and Glass

FROM SEA AND RANCH... FARM AND ORCHARD

Food in tin and glass—behind those little words lies a fascinating story that every American should know • Each year nearly 9,000,000,000 food-laden tin and glass containers march into America's pantries. Locked safe within their gay and gleaming exteriors, are more than 300 different delicious contributions to greater healthfulness, variety and joy at our tables. Here is the pick of the crop from innumerable farms, orchards and broad ranges; from all the prolific seas that wash our shores • Scientifically cleaned, sterilized and prepared in many forms, this fresh goodness is hermetically sealed against contamination by the magic fingers of intricate machines. Thus preserved, modern transportation is able to carry the fullness of our harvests to the four corners of the earth, defying season, climate and distance • Canning has become a giant American industry, employing scores of thousands of workers, hundreds of millions in capital. There are canneries in 44 of our states; in Alaska, Guam, the Hawaiian Islands. Their products are used the world over, and feed much of the world's population • *Santa Fe has told the gripping story of "Delicious Foods in Tin and Glass" in a beautiful little book that will grace your library table. A word to the Santa Fe Railway, Room 1110 Railway Exchange, Chicago, will bring it to you with our compliments.*

• The Santa Fe is proud of the place it has been privileged to hold for 50 years in the development of America's canning industry and the distribution of its products. Our rails carry the materials of which canneries are built; tap the sources of their raw foods; bring them containers, boxes, barrels, lumber, nails, labels, lids and cartons, and their gleaming, miraculous machinery. And in 1937 Santa Fe moved over 300,000 tons of finished canned goods.



Banking for Industry



A TOWER OF STRENGTH

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK

FIFTH AVE. AT 44TH ST. 57TH STREET AT MADISON AVE.

LONDON: 26 OLD BROAD ST.

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THIS BUSINESS WEEK



This week's cover is based on the calendar—Armistice Day—not on a story in the issue. America's determination to prepare for all events—twenty years after the war to end all others—has a double impact on business: the extra hundreds of millions that Congress is likely to vote for armaments will be a force, if an artificial one, for recovery; and the job of scheduling production-for-war, now being pushed by the War Department, is a heavy responsibility on industry.

Highlights of the week: Washington sizes up critical election probabilities in 25 key states (page 7) . . . Relief spending hits high gear with WPA at its all-time high and PWA, CCC and other agencies swing into full operation (page 17) . . . A national campaign for the education of youth in business (page 31) . . . Where to write, and what to ask for, to answer questions about the wage-hour law (page 34).

Letter of the week: An executive of a sea food company in Alaska writes that "I don't know when my subscription to Business Week dies out, but I can't be without it . . . and as money is scarce as horse sense in this country, when my payment is due, and mink are prime, I will scare up a mink pelt and send it to you. Its sale I trust will be enough to let me have Business Week for another season."

Okay: it's a deal.

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MCGRAW-HILL PUBLICATION

YOU HAVE A RIGHT TO *KNOW THE DIFFERENCE*

In the past four years, streamlined trains have reawakened interest in the railroads of America. They have been widely publicized and discussed. But there has been a growing tendency to lose sight of the important differences between the various types of streamliners — probably because of misuse of the terms that have sprung up to describe them.

"Streamlining" in itself is a matter of outward shape, aimed at reducing wind resistance. It has nothing whatever to do with the safety or comfort of passengers.

"Light weight," as a term applied to modern trains, can mean much or little. Many of the cars in today's eighty streamlined trains are as heavy as the old conventional equipment. Others are only a little lighter. And yet the elimination of dead-weight is one of the most vital problems facing the railroads.

To reduce weight without sacrificing strength or safety, stronger materials must be used. The strongest available material for railroad cars is 18-8 chrome-nickel steel—stainless steel. Some so-called "stainless-steel" cars have merely a stainless-steel covering. But this shiny exterior bears no relation to true stainless-steel construction.

Budd design and the exclusive Budd SHOTWELD★ method of fabrication make it possible to build stainless-steel cars that are stainless steel *through and through* — cars that maintain the highest factors of strength and safety while eliminating a greater proportion of dead-weight than any comparable equipment now on the rails.

This combination—design, material and method—produces truly *light-weight* cars that are in keeping with the high standards of safety set by the American railroads. ★ Reg. U. S. Pat. Off.

EDWARD G. BUDD MANUFACTURING CO., PHILADELPHIA—DETROIT

BUDD

METHODS SAFELY ELIMINATE DEAD-WEIGHT

"Good idea, but
where can we
get the
information
we need?"

"From my bank, The
Marine Midland
Trust Company!"



The
Marine Midland
Trust Company
of New York

120 Broadway

MEMBER OF FEDERAL DEPOSIT
INSURANCE CORPORATION

NEW BUSINESS

Four Years Old But Unbonded

TO HATE that coveted green U. S. stamp meaning bottled in bond, liquor must be at least four years old and be 100 proof (contain at least 49.8% alcohol). Schenley is forgoing the use of the green stamp on one of its eligible brands in order to cater to the demand for light whisky. Hereafter the company's de luxe label, Ancient Age, will be used on four-year-old straight whisky, diluted to 90 proof, in both rye and bourbon. The new item will be intensively merchandised. Retailing at \$2.15 for a fifth (in New York) it is expected to give Scotch some tough competition.

SEC and B.B.B.

NEW YORK CITY'S Better Business Bureau doesn't believe that the Securities and Exchange Commission can put down all stock frauds. The SEC chairman, William O. Douglas, agrees. He and other enforcement officials endorse the current campaign of the Better Business Bureau for funds to enable it to continue its investor-protection service.

First Continuous Rolling Mill

ASHLAND, KY., and nearby communities declared a holiday on Oct. 19 to honor John B. Tytus and the world's first continuous steel rolling mill which he and American Rolling Mill Co. associates helped develop there 15 years ago. Seven thousand persons paraded before George M. Verity, Armco chairman, Charles R. Hook, president, Mr. Tytus, vice-president in charge of operations, Gov. "Happy" Chandler, other industrial and political leaders. There were speeches and general jollification.

A Smoke on the House

MANY HOTELS slip the morning paper under guests' doors with the "compliments of the management." Hotel Schroeder, Milwaukee, goes this one better. It gives free cigarettes with room-service breakfasts. For a time it tried sending up a special pack of five Pall Malls. Now it gives a full pack of 20 Pall Malls, wrapped in cellophane, bearing the hotel's monogram and name.

Gold Coast Delusion

ADVERTISING STUNTS sometimes create unexpected complications. That is the case with the 75,000 gold-colored "lucky coins" struck off by Radio Corp. to commemorate the RCA radio cabinet which went over Niagara Falls without damage. The feat was used to advertise RCA's cabinet designed for the tropics. Radios and coins went, among other distant markets, to the Gold Coast of Africa.

The natives fell for the coins like a ton of bricks. So hard did they fall that a French distributing company wrote RCA that it considered inadvisable the sending of "this type of material since it results in the native population endeavoring to pass the coins as gold pieces."

Power's Progress

RECENT ASSURANCE that utility companies will spend millions to meet increased demand for current and for possible war needs chimes nicely with the date of the National Power Show (at New York's Grand Central Palace, starting Dec. 5). Technically this is the 13th National Exposition of Power & Mechanical Engineering. New and improved products will be shown by nearly 300 exhibitors.

Seventy-Five Candles

ON DEC. 2 financial leaders will congregate at Kalamazoo, Mich., to celebrate the 75th birthday of Charles S. Campbell and the diamond jubilee of the First National Bank and Trust Co. which he heads. This is the oldest bank in the state. Festivities will include a luncheon, tours of the city, open house and receptions at the bank, a testimonial dinner with more than 600 guests.

Oyster Migration

WITH RAVAGES of New England's tropical hurricane painfully evident on land and sea, the U. S. Bureau of Fisheries announces serious underwater results. It says the violence of the disturbance moved oyster beds bodily from original locations to others. As a result, owners of some beds were bereft of their oysters, while competitors were correspondingly enriched. No oyster lives were lost.

New Things to Sell

AN INGENIOUS AUSTRALIAN has developed a device, which is strapped to the business end of a hen to automatically stamp the date and the chicken's breed on each egg laid; he calls it a "henometer" . . . New York Central's expenditure of \$1,825,000 for 29 diesel-electric switching locomotives (for its Buffalo district) suggests a wider market for the type of engine which has gained fame in fast passenger service . . . Evidence that Cornell University's odorless cabbage is catching on is seen in the fact that half a dozen seedmen distributed its seeds in states as far away as North Dakota during the 1938 season . . . Dr. David T. Smith and Susan Gower Smith, of Duke University, announce a nicotinic acid made from tobacco waste which cures pellagra and will also serve as a remedy for alcoholism.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)

Republican gains in House and Senate are sure but will not be impressive numerically. Much more important is the certainty that Roosevelt will have fewer "me, too" followers in both houses for the next two years and many more "yes, but" Democrats to deal with.

Such devoted Senate followers of the White House as Pope of Idaho, Dieterich of Illinois, and McAdoo of California are already out, having lost in the primaries; and other 100% New Deal colleagues, such as McGill of Kansas, Brown of New Hampshire, and Duffy of Wisconsin, are sure to follow in the election. Danger also threatens Bulkley of Ohio.

South Dakota will probably send a Republican to replace Hitchcock, another New Dealer who lost in the primaries, and New Jersey may effect a similar shift, though the race is close. The pattern of House changes, while much less spectacular, is of the same cut.

The Lesson

ALL OF WHICH spells a more independent Congress for the next two years. Legislators know now that fighting the President on a few issues does not mean political suicide and that obeying every White House command does not lead to certain reelection.

New Deal Plans Its Tactics

MUCH OF THE NEW DEAL's future program which so far has not been revealed in tangible form is wrapped up in the investigation of the Temporary National Economic Committee, defining the areas within the competitive system in which government regulation should be extended.

Otherwise, Roosevelt's efforts will be trained largely on (1) defending present New Deal farm, relief, neutrality, and power policies from damage; (2) conceding only enough on extension of social security and modification of the Wagner act to thwart extreme proposals; and (3) further developing his policies on taxation, banking, railroad rehabilitation, housing, and government reorganization.

Chain Labor Deal

CIRCUMSTANTIAL EVIDENCE is enough to convince Washington that the food chains and the American Federation of Labor have reached a mutual understanding whereby store clerks will be organized without resistance by the com-

panies and the A.F.L. will throw its strength against Patman's federal "death sentence" tax on chain stores and similar state legislation taxing or otherwise crippling big distributors. Because such an agreement might constitute violation of the Wagner act, it is denied.

Plan More Crop Insurance

CROP INSURANCE OFFICIALS are quietly working out a statistical base for ex-

tending protection, now limited to wheat, to growers of cotton and corn. There are plenty of bugs in the job. Historical production records are not nearly as complete as in wheat.

Privately, the crop insurance boys hope they will be let alone another year to concentrate on one crop until they get more experience, but they want to be ready if Congress decides to hand farmers more salve.

WASHINGTON'S POLITICAL GUESS

All Washington this week was absorbed with election forecasting. New Dealers, on the one hand, and Republicans and conservative Democrats, on the other, claimed wide victories, but within the inner party councils there were reservations. BUSINESS WEEK, not in the rôle of political soothsayer, but as a trained reporter, has canvassed those "in the know"—the experts of the party

committees and the capital city press corps, whose judgments are fortified with up-to-the-minute returns from polls in the field. But football forecasts often go haywire, and so does the political "dope." At any rate, just for the sake of the record, here's Washington's best master-minding on 27 critical state elections. How much will it be worth Wednesday? Keep your own tally sheet.

California

For governor: Olson (D) vs. Merriam (R)—a radical vs. a conservative, with business men backing Merriam. Olson probable winner. For senator: Downey (D) vs. Bancroft (R). New Dealer Downey, who has befriended the \$30-Every-Thursdays scheme, will probably be beaten by Bancroft, a conservative. G.O.P. will gain two to six House seats.

Colorado

For governor: Ammons (D) vs. Carr (R). Issues are New Deal, agriculture, etc. Race close; Carr probable winner. For senator: Adams (D) vs. Lee (R). Adams, a "Yes, but" Democrat, who generally votes with Carter Glass, will win easily.

Connecticut

For governor: Cross (D) vs. Baldwin (R). The issues are Cross' administration and the New Deal, with Cross expected to win unless Jasper McLevy, Socialist, pulls too many votes away from him. For senator: Lonergan (D) vs. Danaher (R). Lonergan will win. The Republicans hope for two House gains but the Democrats may retain all six seats.

Idaho

For governor: Ross (D) vs. Bottolfsen (R). Despite the farm revolt, Ross will win. For senator: Clark (D) vs. Callahan (R)—a conservative Democrat vs. an old-line Republican. In spite of New

Deal resentment against Clark for knocking off Sen. Pope in the primary, he will win by a reduced margin. House: no change.

Illinois

For senator: Lucas (D) vs. Lyons (R)—again a conservative Democrat vs. an old-line Republican. Outcome depends on Cook County machine and Chicago Negro vote. If both are regular, Lucas will win. If either defects, Lyons will win. House: Republicans will gain three to eight seats.

Iowa

For governor: Kraschel (D) vs. Wilson (R). Issue is farm revolt. Wilson will win. For senator: Gillette (D), who won the first purge victory over Roosevelt, against Dickinson, the most conservative Republican in the entire country. Race very close, with slight edge to Gillette. House: G.O.P. will probably gain two to three seats.

Kansas

For governor: Huxman (D) vs. Ratner (R). Issues are farm revolt and New Deal. Ratner will win. For senator: McGill, a 100% Democratic sitting senator, against Reed, a radical Republican who backed Roosevelt against Landon. Reed will win.

Maryland

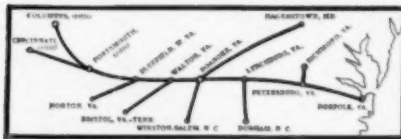
For governor: O'Connor (D) vs. Nice (R). Nice will win. For senator: Tydings



A CHAMPION flashes across the stubble! He stops and freezes to a "point," excited, tense, taut! There is a roar! The birds are up! Shots, and a hushed voice, "Dead bird, fetch!" With a bound the dog is off . . . nostrils distended, tail beating the brush! Proudly he returns to his master, bird held gently in his mouth, head high . . . eager for the praise, "Nice dog!" Marvelous intelligence, yes . . . but developed only through expert training!

You've thrilled, too, at the sight of mighty freight trains rushing through the day or night; stopping here or there on exacting schedules; delivering the world's precious merchandise. Marvelous service, executed safely and efficiently, yes . . . but this, too, is developed only through expert training. This training is one of the elements of Precision Transportation—the unexcelled merchandise freight service of the Norfolk and Western Railway, between the West, Midwest and the Virginias and Carolinas and between the North, the South, and Southwest.

Representatives of the railway, eager to assist you in any shipping problem, are located in the principal cities of the country. Call on them!



1838 — A CENTURY OF SERVICE — 1938

NORFOLK AND WESTERN
Railway
PRECISION TRANSPORTATION

(D), strong conservative who triumphed over the purge, will beat Leser (R).

Massachusetts

For governor: Curley (D) vs. Saltonstall (R). The issue is Curley. Gov. Hurley, Sen. Walsh, and other big Democrats privately want Curley beaten. Saltonstall will win. Despite strong fight against House Veteran Treadway (R) and Healey (D), there will probably be no House change.

Michigan

For governor: Murphy (D) vs. Fitzgerald (R). Issue is the New Deal. Fitzgerald will probably win. G.O.P. will probably gain two to four House seats.

Missouri

For senator: Clark (D) vs. Caulfield (R). Clark, a conservative Democrat who has fought Roosevelt on half a dozen issues and is being boomed for the Presidency by anti-New Deal Democrats, will win overwhelmingly. House: no change.

Minnesota

For governor: Gallagher (D), Stassen (R), Benson (Farmer Labor). The real fight is between Stassen, a very radical Republican, and Benson, the sitting governor. Stassen has a good chance because many of the late Floyd Olson's friends have soured on Benson.

Montana

No governorship or senatorial fights. Sen. Wheeler's enemy, Rep. Jerry O'Connell, will probably beat Thorkelson for the House despite a tough fight.

Nebraska

For governor: Cochran (D), Warner (R), and Charles W. Bryan (Independent). Farm revolt has made New Deal unpopular but Republicans are unorganized. Yet candidacy of ex-Gov. Bryan (a brother of the late "Great Commoner") makes election of Warner possible.

Nevada

For governor: Carville (D) vs. Fulton (R). Fulton will win. For senator: McCarran (D) vs. Oddie (R). McCarran, an anti-New Dealer, will win easily.

New Hampshire

For governor: Sullivan (D) vs. Murphy (R). Murphy will be re-elected. For senator: Brown (D) vs. Tobey (R). Brown, a 100% utility-baiting New Dealer, is sure of defeat. House: Jenks (R), unseated by the House in a contest, will beat Roy (D); and Stearns (R) will beat Lucier (D).

New Jersey

For senator: Ely (D) vs. Barbour (R). Issues are New Deal, WPA, etc. Ely will win if Frank Hague goes down the line for him. Otherwise Barbour. House: G.O.P. will gain two seats.

New York

For governor: Lehman (D) vs. Dewey (R). Racket-buster Dewey is attacking Lehman's record. Polls show surprising Dewey strength. Democratic defections make outcome doubtful, though Lehman still has a slight edge. For two senatorships: Wagner (D) and Mead (D) vs.

O'Brien (R) and Corsi (R). Senatorial fights are blanketed by the spectacular gubernatorial battle, but Wagner and Mead will win. House: Bruce Barton (R) will win despite strong opposition. O'Connor, purged in the only victory Roosevelt won in these contests, is now the Republican and independent candidate, but will not be able to beat Fay, the regular Democratic nominee. Few House changes are expected.

North Dakota

For governor: Moses (D) vs. Hagan (R). Close fight, with Hagan a slight favorite. For senator: Nygaard (D) vs. Nye (R). Nye will win.

Ohio

For governor: Sawyer (D) vs. Bricker (R). Farm revolt. Bricker has a slight edge in view of reported defection of Negroes in Cleveland from the New Deal. For senator: Bulkley (D) vs. Taft (R). New Deal and farm revolt issues make Taft the probable winner. House: G.O.P. will gain seven to nine seats.

Oregon

For governor: Hess (D) vs. Sprague (R). Hess was opposed in the primary by Gov. Martin, and supported by Sec. Ickes. Tight race, with Sprague probable winner. For senator: Mahoney (D) vs. Holman (R). Mahoney will win.

Pennsylvania

For governor: Jones (D) vs. James (R). New Deal and Gov. Earle's administration are the issues. The race is tight, with James having slight edge. For senator: Earle (D) vs. Davis (R). Same issues as above, with Davis the probable winner. G.O.P. will gain about 10 House seats.

Rhode Island

For governor: Quinn (D) vs. Vanderbilt (R). Issues are the Quinn administration and the New Deal. Vanderbilt has the edge. Republicans will gain at least one House seat.

South Dakota

For governor: Fosheim (D) vs. Bushfield (R). Farm revolt and New Deal are the issues. Bushfield will win. For senator: Berry (D) vs. Gurney (R). Berry beat New Dealer Hitchcock for the nomination, but the farm revolt is expected to beat Berry.

Utah

For senator: Thomas (D) vs. Harris (R). New Deal, farm revolt, and attitude of Mormons toward relief are the issues, but Thomas will win.

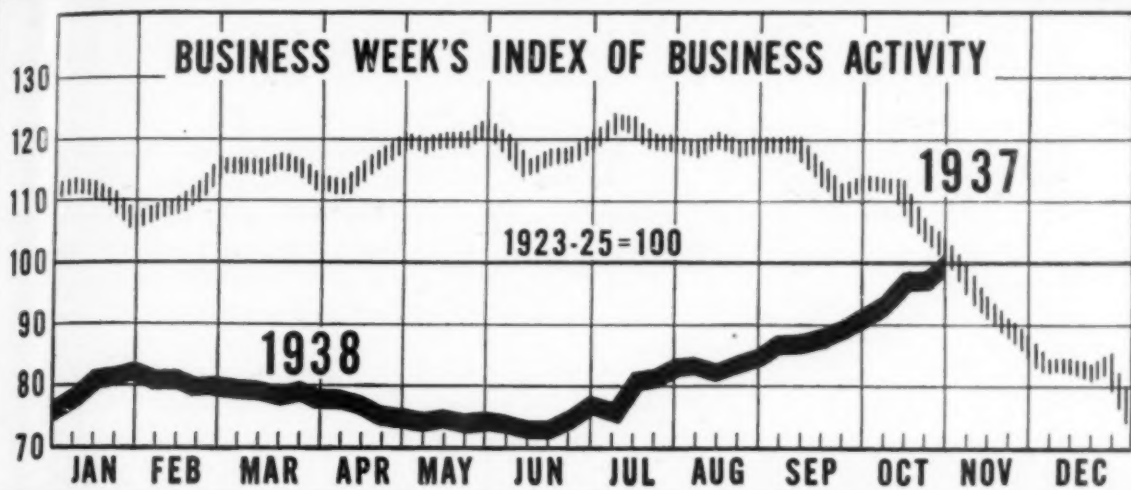
Washington

For senator: Bone (D) vs. Colvin (R). Bone will win.

Wisconsin

For governor: Henry (D), Heil (R), La Follette (Prog.). Race is between La Follette and Heil, with La Follette almost certain winner. For senator: Duffy (D), Wiley (R), and Ekern (Prog.). Race is between Ekern and Wiley, with odds favoring Ekern but the race close. Duffy, a 100% New Dealer, is hopelessly out.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX	*101.3	†98.9	92.5	76.3	104.3
*Steel Ingot Operations (% of capacity)	56.8	53.7	47.9	30.7	48.8
*Automobile Production	73,335	68,360	25,405	50,755	90,155
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands)	\$4,640	\$4,338	\$3,665	\$2,842	\$2,656
*Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands)	\$10,389	\$10,256	\$11,000	\$7,923	\$7,104
*Electric Power Output (million kilowatt-hours)	2,226	2,214	2,139	1,939	2,255
Crude Oil (daily average, 1,000 bbls.)	3,238	3,247	3,232	3,396	3,603
Bituminous Coal (daily average, 1,000 tons)	1,342	†1,371	1,307	864	1,805

TRADE

*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	74	76	71	61	79
*All Other Carloadings (daily average, 1,000 cars)	44	45	42	26	49
Check Payments (outside N. Y. City, millions)	\$4,161	\$4,683	\$3,599	\$3,680	\$4,545
Money in Circulation (Wednesday series, millions)	\$6,654	\$6,668	\$6,574	\$6,355	\$6,519
Department Store Sales (change from same week of preceding year)	-9%	-18%	-0%	-13%	

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100)	144.1	144.9	144.0	136.8	160.1
Iron and Steel Composite (Steel, ton)	\$36.54	\$36.54	\$36.58	\$36.54	\$39.33
Scrap Steel Composite (Iron Age, ton)	\$14.42	\$14.17	\$14.25	\$11.75	\$14.42
Copper (electrolytic, Connecticut Valley, lb.)	11.250¢	11.250¢	10.385¢	10.000¢	11.775¢
Wheat (No. 2, hard winter, Kansas City, bu.)	\$0.85	\$0.64	\$0.67	\$0.83	\$1.02
Sugar (raw, delivered New York, lb.)	3.10¢	3.09¢	3.00¢	2.82¢	3.21¢
Cotton (middling, New York, lb.)	8.94¢	8.75¢	8.30¢	8.72¢	8.15¢
Wool Tops (New York, lb.)	\$0.840	\$0.841	\$0.830	\$0.806	\$0.953
Rubber (ribbed smoked sheets, New York, lb.)	16.81¢	16.88¢	16.67¢	11.45¢	15.34¢

FINANCE

Yield—Corporate Bonds (Standard Statistics, 45 issues)	5.72%	5.70%	5.76%	6.52%	5.16%
Yield—U. S. Bonds (average of all issues due or callable after 8 years)	2.28%	2.28%	2.41%	2.34%	2.65%
Yield—U. S. Treasury 3-to-5-year Notes	0.69%	0.67%	0.85%	0.83%	1.41%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate)	¾-¾%	¾-¾%	¾-¾%	¾-1%	1.00%
Business Failures (Dun & Bradstreet, number)	251	227	203	286	185

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks	15,995	15,755	15,508	14,598	14,804
Total Loans and Investments, reporting member banks	21,493	21,314	21,240	20,844	21,694
Commercial and Agricultural Loans, reporting member banks	3,915	3,908	3,891	4,187	4,780
Securities Loans, reporting member banks	1,300	1,241	1,225	1,243	1,616
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks	9,841	9,758	9,786	9,186	9,096
Other Securities Held, reporting member banks	3,366	3,286	3,213	3,071	2,946
Excess Reserves, all member banks (Wednesday series)	3,280	3,270	2,890	2,579	1,073
Total Federal Reserve Credit Outstanding (Wednesday series)	2,580	2,589	2,597	2,586	2,570

STOCK MARKET (Average for the week)

80 Industrials, Price Index (Standard Statistics)	129.7	131.6	124.0	96.3	117.7
20 Railroads, Price Index (Standard Statistics)	32.9	32.2	28.4	22.6	35.3
20 Utilities, Price Index (Standard Statistics)	68.7	68.3	59.4	52.3	62.8
90 Stocks, Price Index (Standard Statistics)	104.5	105.8	98.6	77.7	95.9
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares)	1,331	1,696	1,585	474	1,942

* Factor in Business Week Index. * Preliminary, week ended October 29. † Revised.

Equipment Cost \$17,800

Annual Savings \$21,720

AN important mining company, found, in its search for ways to reduce its cost of production, that by correcting the power-factor of its electric equipment it could reduce its power costs and improve operations. The necessary capacitor and oil-circuit-breaker equipment cost about \$7300, but it paid for itself in five months.

Not content with this saving, the company sought other cost-reducing changes. Ventilating the mine shafts more efficiently was decided upon. Investigation showed that the right type of synchronous motor and control for the fan would improve the over-all power-factor still further and keep the power required at the minimum. This change will return the cost of the motor, control, and transformers—about \$10,500—in two and a half years.

This is another proof of the fact that carefully considered changes may pay well. The experience of this company is not at all unusual. When the same procedure is followed in your plant, the results are likely to be similarly satisfactory. And the procedure is simple: a careful study of requirements and of the performance of present equipment; a close comparison with the results obtainable with the best equipment now available; a check with the opinions of competent engineers; and then the prompt purchase of needed apparatus from an experienced, reliable company. This is a formula for profits.

During our 60 years of helping industry electrically, an increasing number of companies have found it wise to take advantage of our engineering experience. That wide experience is at your service. We are always glad to work with you or with your consulting engineers in your search for ways in which you can profit by the further use of electricity. Write to General Electric, Schenectady, N. Y.

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THIS IS NO. 83 IN A SERIES RELATING SOME OF THE OUTSTANDING RESULTS OBTAINED BY THE PROPER APPLICATION OF THE LATEST DEVELOPMENTS IN ELECTRIC EQUIPMENT

GENERAL ELECTRIC

011-459

BUSINESS WEEK

November 5, 1938

THE BUSINESS OUTLOOK

Recovery movement resumes advance, with *Business Week* index passing 100. Auto industry gives big impetus to steel and should be a bull factor the rest of the year.

THE ADVANCE IN BUSINESS ACTIVITY, after a halt last week, has been resumed. For the first time since a year ago, the *BUSINESS WEEK* index has passed 100, and next week it will show the first gain over the year-ago figure. Steel activity is leading the parade, impelled by orders from miscellaneous trades, from construction—further gains in which appear to have taken place in October—and, above all, from the automobile industry. In the current week motor manufacturers, encouraged by highly favorable sales in the field, are swinging at last into big production. This should be the major factor in maintaining general industrial activity in November and December.

Rail Wages and Carloadings

On the eve of the election there is naturally a good deal of politically inspired talk, of which the railroad wage report and the utility-government discussions deserve notice here. The opinion of the President's fact-finding board that railroad financial difficulties are "characterized by a short-term aspect" and therefore do not necessitate so drastic a step as wage-cutting, but that they have another aspect which necessitates "complete and thoroughgoing" action and especially a "desirable" increase in receiverships, must be looked on as definitely bearish.

Fortunately a renewed rise in carloadings, after the autumn down-trend should have been well under way, coincided with this report. It is to traffic increases based on the broad business upswing that the railroads must look for relief. If any "constructive legislation" now again promised from Washington, actually goes through, they will be all too pleased, but—in view of the many such promises made in the last year—doubtless rather surprised.

Skeptical of Power Talk

Perhaps constructive action will develop out of the new discussions between the President's National Defense Power

Committee and the utility executives. So far the talk has been of an expansion of 1,000,000 kw. hr. of generating capacity, which is much less than the expansion which would have taken place in any event, and, alternatively, of a gigantic two billion dollar two-year program. No way of financing the latter has yet

been suggested. A certain degree of skepticism can hardly be avoided for the present.

Politics and Non-Politics

The outcome of the election is bound to affect business sentiment considerably, in which direction one cannot, of course, predict with confidence. But it does not seem probable that the gradual and to date very moderate drift away from leftist programs which has been under way since the Supreme Court bill will be seriously interrupted. The Administration may easily come forward with exposés and new reforms in the year 1939, but business can look forward to at least some degree of conservatism in Congress.

Aside from politics, the basic factors on which the recovery is being built continue in operation. Classifying these factors under three headings, a few words will be said here on the present position of each.

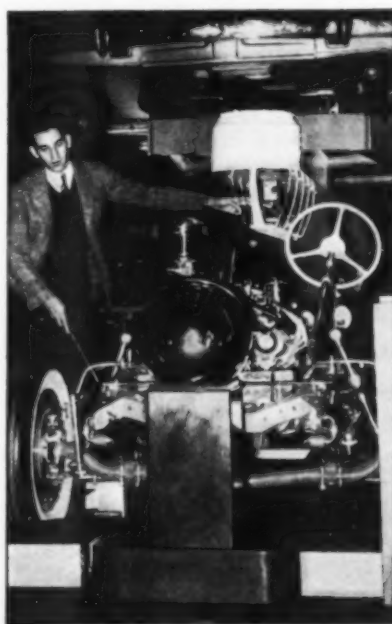
Down Go Inventories

In the first place, the correction of the over-expanded inventory condition which contributed so forcefully to the original downturn is progressing. In recent months this has meant in part continued reduction in actual inventories, but in part a rise in sales which eliminates the need for further reduction. The resumption of buying, as soon as inventories seemed less dangerous, contributed to the upturn, and some further aid may be expected from this source. It cannot carry the economy back to the 1937 peaks, however, since no business man wants a repetition of the over-expansion of that year.

Big Monetary Changes

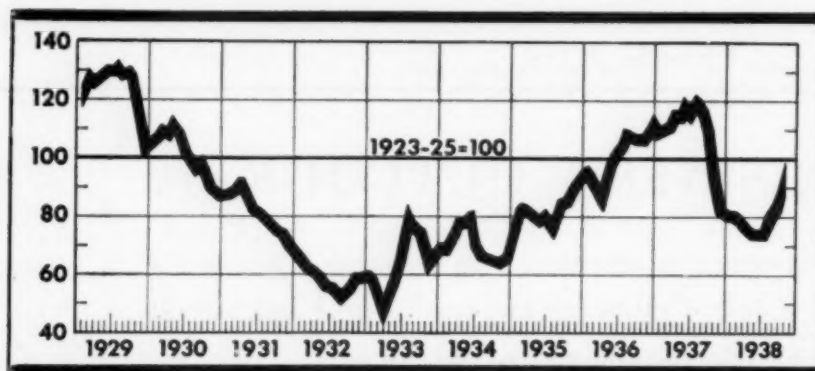
The second basic factor in accounting for the downturn in 1937 and the upturn in 1938 may be summed up as government monetary policy. This category includes gold policy (sterilization in 1936-37 followed by desterilization in 1937-38), bank reserve policy (tightening in

In the Outlook



Next week elections will be out of the way and business will take the spotlight with its fall drive to recovery—symbolized by the auto shows, starting with New York's on Nov. 11, in which manufacturers and dealers again will spring to the joyous task of making America new-model conscious. Looming big in the outlook is the expectancy of a three to four million car year.

Monthly Index of Business Approaches Par



This week BUSINESS WEEK's Weekly Index of Business Activity reached a new high for the year at 101.3 (preliminary), as a result of continued gains during October. The monthly index is not quite so high.

The October figure was 98.5 (preliminary), as compared with 109.8 for October, 1937. Figures for recent months were as follows: Sep., 89.8; August, 84.5; July, 81.6. For other back figures see BW—Sep. 17 '38, p. 41.

1936-37 followed by freeing of reserves in 1938), and budget policy (high taxes and controlled expenditures in 1937 followed by falling taxes and inflated expenditures in 1938).

What Bank Figures Show

The gold and reserve policies show up in the 22½% increase in member bank reserves and 100% increase in excess reserves in six months. Similarly, demand deposits of weekly reporting banks passed their 1937 peak two weeks ago and have accelerated their rise since. To late the recovery in investment holdings has been much more moderate and the recovery in loans extremely small, but the pressure of bank reserves is bound to be felt on earning assets sooner or later.

Turning to the budget policy, we find that federal taxes in the first four months of the current fiscal year were down approximately \$160,000,000 or 3% from the same months of 1937, while cash expenditures were up approximately \$450,000,000 or 20%. The process of pumping new money into the economy is proceeding apace, and business stimulation should continue for some time to come.

Wage Reductions Unlikely

The third basic factor in causing the downturn—the rise in labor costs—is behaving least satisfactorily. The railroad report bodes ill for reductions in other industries.

Rigid wages and shrinkage of the profit margin might conceivably set a limit to the present advance of business next spring or summer, when broad capital expansion might otherwise have reinforced the revival in consumers' goods and in public works.

Rail Board Sidesteps

Wage report leaves roads just where they were. Urges new legislation.

THE REPORT of the President's Emergency Board on the railroads rode off furiously in all directions and this last week left the nation's carriers just about where they were last April when Mr. Roosevelt sent a fruitless special message to Congress calling for first aid.

Instead of recommending a wage cut, which would have provided immediate relief, the board explored the long-term possibilities for resuscitating the railroads financially. There were no concrete proposals. Indeed, it was the same old stuff: legislative action to help the railroads coordinate and consolidate facilities.

Theoretically, despite the rejection of their plea for a 15% wage reduction, the railroads could press for a cut and send out notices. But that would mean a strike, and the roads are not apt to precipitate a crisis in the face of this adverse ruling. So the wage issue—for the bulk of class 1 carriers—is shelved indefinitely.

Companies and Unions to Confer

The next move is up to Congress. Executives of the railroads are expected to confer with union representatives looking toward a broad legislative program which would facilitate reorganization of receivership roads, would expedite loans to indigent carriers, would enable the rails to coordinate facilities so as to introduce economies. The last proposal would be of direct financial benefit. But here the chief assistance

could come only from economies at the expense of labor; hence, opposition is bound to come from the very source whose support is necessary if Congress is to look with favor on the recommendations.

What it all comes down to, in the final analysis, is that the railroads are back where they were when the President in March first appointed these commissioners to make a special report on the railroad problem. These commissioners—the Splawn Committee advised RFC loans to the carriers and special Section 77 legislation to help them reorganize. The report went to the President, was passed on to Congress. And there the buck rested until the session ended.

And when on May 12, the carriers sent out notices to labor of the 15% pay cut to take effect July 1, the union proceeded to obstruct passage of the legislation. In the meantime, traffic continued to decline sharply along with general business, and receiverships threatened a great number of railroads. The Nickel Plate barely escaped going into the courts, while the Baltimore & Ohio saved itself by getting bondholders to assent to a scale-down in interest rates.

Although special railroad legislation at the next session of Congress may come through, the railroads must depend primarily on general traffic improvement as a solution of their difficulties. Congress has failed them far too often to be worthy of reliance. As conditions are today, it is possible that the carriers will emerge into the black in 1939, hanging to the coat-tails of general recovery. Carloadings recently have been doing better than seasonal, and this year's deficit of around \$150,000,000 (BW—Jun 25 '38, p. 15)—has been pretty well discounted.

Generalities Don't Solve Problem

Yet, even if there is a resurgence in earnings next year, many individual roads will still be in difficulty. The root of the problem is that the railroads, as the consequence of competition, have become a feast and famine industry—only they seldom feast. When business is moderately good, they just about subsist. And when business is bad, they famish.

All of which the Emergency Board recognized in broad generalities, by pointing out that the government is faced with the necessity of making a "complete and thoroughgoing" survey of the "relationship of the railroad industry and the national well-being." Also the board said that both the carriers and railroad labor now have a "vital and common concern in working out an adequate national transportation policy."

But those generalities only emphasized the railroad problem. They did not solve it.

Voters to Decide Big Issues

Anti-union proposals on the Coast, old-age pensions, chain-store taxes, and important bond issues are on various ballots Nov. 8.

WHEN YOU SIT by your radio on Tuesday evening, Nov. 8, and listen to the election returns, nearly everything you hear will have to do with candidates. There won't be much news about the proposals on the ballot in many states; and yet, in the long run, the fate of these proposals may prove to be the most important result of the elections.

For what some states do on Nov. 8, 1938, other states or the national government may do in '39 or '40. The \$30-Every-Thursday scheme in California; the Social Security plans in other states; the proposed new constitution for New York; the anti-union measures on the Pacific Coast, and the Colorado vote on the chain-store tax—all these are important in themselves and in their rolling repercussions throughout the country.

Proposals Coming before Voter

So let us take a look at the main proposals to be voted on:

Labor—Unions are under severest pressure in California, where Southern Californians, Inc., and the Associated Farmers are backing a constitutional amendment to regulate union activities

in a number of stringent ways. It would forbid picketing at any branch or building where no strike is actually being waged; would prevent pickets from saying anything to dissuade employees, customers, or anybody else from entering a place of business; would forbid unions or their members to try to induce sympathetic strikes; and in many other ways would drastically restrict unions.

Los Angeles seems to favor this amendment, while San Francisco is lukewarm. The Committee for Industrial Organization and the American Federation of Labor have united to oppose it.

Oregon and Washington will vote on similar proposals. Among other things, the Oregon measure would prohibit unions from collecting dues in excess of requirements for lawful purposes. The unions call this an attempt to keep them from building up their reserve funds for use in strikes. The Washington proposal, which is similar in spirit, is backed by the Associated Farmers of Washington and the Women of Washington—an organization of the wives and relatives of business and professional men, bitter enemies of Dave Beck, teamsters' leader.

On the other hand, one of the constitutional amendments in New York guarantees that the labor of human beings shall never be considered a commodity; assures the right of collective bargaining; and provides that employees on public contracts shall work no more than an eight-hour day and a 40-hour week, except in emergencies, and shall receive prevailing wages.

Social Welfare—By this time the whole country has heard of the scheme in California to pay \$30 every Thursday in state scrip to every unemployed person who is 50 years old or more. This panacea, which a few weeks ago seemed headed for victory, is now considered licked, because of the campaign of ridicule which business men have directed against it. The plan has apparently been kidded onto the skids.

Other States Face Pension Issue

There is another hot fight in Colorado, where the voters are asked to repeal the two-year-old constitutional amendment under which a monthly pension of \$45 is paid to needy people over 60. Oregon will vote on a proposal to give people of that age as high as \$100 a month. North Dakota voters will decide whether to boost monthly pensions from \$30 to \$40. In Michigan, state-county consolidation of welfare and relief administration is on the ballot. New Yorkers will vote on a constitutional authorization of state aid for social welfare, including insurance and other provisions against unemployment, sickness, and old age. In Missouri there is a proposed constitutional amendment authorizing the legislature to give pensions to people over 65.

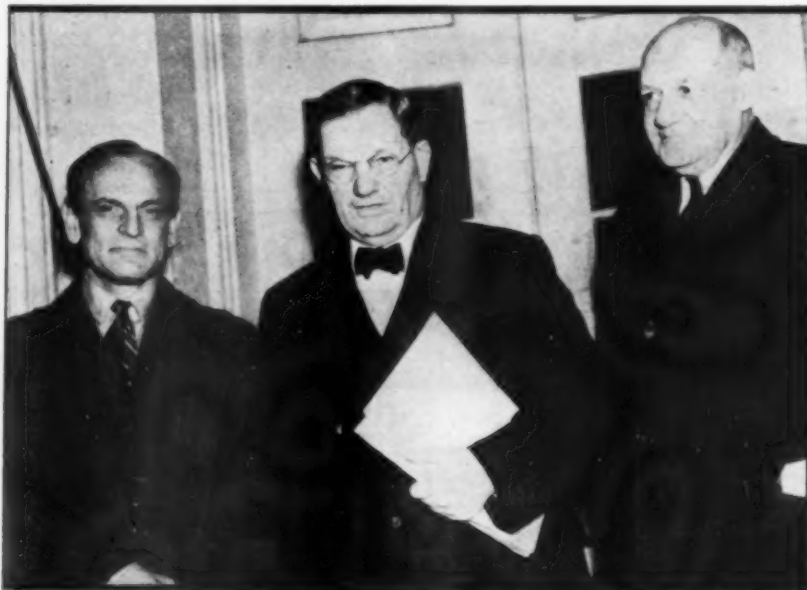
Chain Store Taxation—In Colorado, the voters are asked to repeal the chain-store tax law, which they approved two years ago. Colorado is the only state that has imposed such a tax by popular vote. The fate of the present proposal may strongly influence Congressional action in the coming session on Rep. Wright Patman's chain-store "death sentence".

Gasoline Taxes—Alabama, California, Michigan, and New Hampshire will vote on constitutional amendments to earmark all automobile fuel taxes for highway purposes. Five states—Colorado, Kansas, Maine, Minnesota, and Missouri—already have constitutional or statutory earmarking of such taxes. Missouri voters will decide whether to raise the gas tax from 2¢ to 3¢. Montana will vote on continuing the present 5¢ tax.

Other Taxes—Henry George's proposal—the single tax—is on the California ballot, in a modified form. This measure would repeal the sales, use, and private car taxes; grant an immediate \$1,000 homestead exemption; and reduce taxation on improvements and personal property 10% each year for 10 years, so that finally the sole realty tax would be the one on land.

New Hampshire voters are asked to

Reporting to the President



The three-man Emergency Board—James M. Landis, Walter P. Stacy (holding report), and Harry A. Millis—on the White House steps before presenting to the President the report against a cut in rail wages.

Underwood & Underwood

authorize the legislature to reclassify the tax system and to impose sales and income taxes. Florida will vote on a constitutional exemption of homesteads; Louisiana on exemption of homesteads, factories (three years), and bridges across the Mississippi; and Arizonans will decide whether to exempt homesteads and to limit the tax power. Tax limits are also on the ballot in the state of Washington.

Liquor—Arizona will vote on repealing the constitutional amendment that repealed prohibition. In Oregon the voters are asked to amend the Knox law in such a way as to take the sale of beer and wine from licensed dealers and place it solely in state stores, along with hard liquor.

Right to Vote—Arkansas will decide whether to repeal the poll tax, and New Hampshire whether to authorize the legislature to define the "pauper's" right to vote—the aim being to disfranchise everybody on relief.

Housing, Bonds, etc.—One of the amendments that constitute New York's proposed new constitution would authorize the legislature to issue bonds up to \$300,000,000 for low-cost housing, the money to be lent by the state to localities. Another amendment would exclude from the New York City debt limit the sum of \$315,000,000, to be spent in unifying transit facilities. Arkansas will vote on refunding state and local highway bonds; Louisiana on a \$5,000,000 bond issue to be used in funding the motor fuel taxes, the money to be spent on roads; and Montana on a \$3,000,000 debenture issue proposed for a road-building program.

Miscellaneous—Amendment No. 1 on the New York ballot—the omnibus amendment—is practically a new constitution in itself. It contains more than 50 actual amendments. It limits the local taxing power, and forbids local governments to give credit to public corporations (such as housing and port "authorities"). Amendment No. 3 would relieve railroads of nearly all the expense of grade-crossing elimination.

Power Question in Washington

In Washington, the friends of public ownership will try to vote a dozen or so power districts into existence, so that the counties involved can distribute power generated at Bonneville and Grand Coulee dams. Illinois and Oregon will vote on the repeal of double liability of bank stockholders. Oregon will also vote on the legalization of gambling, and Nebraska on the licensing of slot machines, to finance old-age pensions. Oklahoma will decide on a retirement plan for teachers. And seven cities—Yonkers, N. Y.; Cambridge, Chicopee, and Northampton, Mass.; and Battle Creek, Midland, and Traverse City, Neb.—will vote on the council-and-city-manager system of government.

Utilities Ask a Break

Agree to spend \$350,000,000 for national defense.

THE PUBLIC UTILITIES have tossed \$350,000,000 into the kitty for national defense, by agreeing to begin spending that sum for generating facilities, and they're willing to add upward of half a billion more if the government will stop kicking the companies around. But there has been no agreement on many points which, it had been hoped, would be covered.

Executives of 14 big companies have agreed with President Roosevelt's National Defense Power Committee on a program of expansion which is designed to assure the country an adequate supply of power for any emergency now conceivable. In return they had expected to get some assurance that the government might let them out of the doghouse.

For one thing, utilities in the Northwest had hoped that this program would be accompanied by some assurance that Bonneville Dam juice will not be used to drive the private companies out of business. That would have been a gesture

of peace which would have encouraged them in national defense expenditures.

They might go ahead a little more confidently if David Lilienthal would make Wendell L. Willkie an acceptable bid for Commonwealth & Southern's electric properties in the Tennessee Valley area. Conferences broke up because Lilienthal's bid was less than two-thirds of what Willkie regarded as a fair appraisal. Lilienthal recently has been ill; conferences won't be resumed until after election.

The industry is awaiting the election results with the greatest interest. After the 1936 Roosevelt landslide, his treaty with the companies was withdrawn. While waiting to see what his course will be, power executives are talking of the peace they would like to conclude—but are keeping their figures crossed.

The cost of further antagonism would be the damming up of expenditures which certainly would add several hundred millions of dollars onto the physical volume of the nation's business. The utilities can't borrow from the public to build if they are at odds with Washington, and they won't be able to countenance borrowing from the RFC under such circumstances, no matter how low the interest rate.

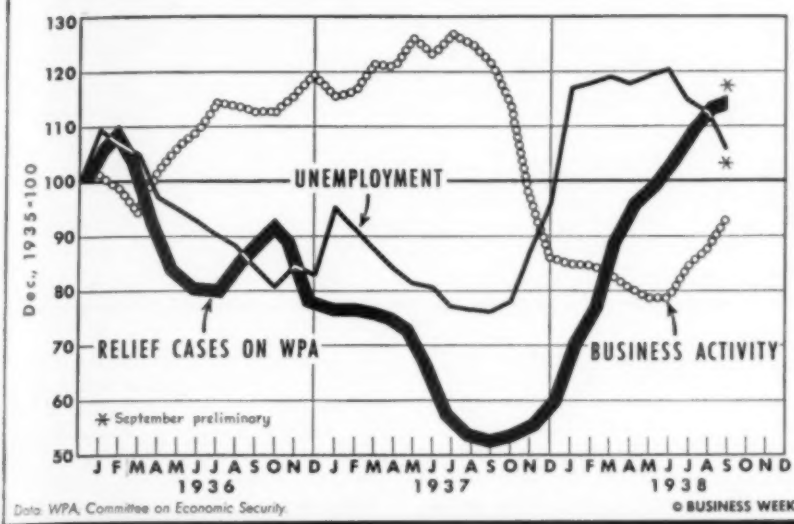
That Man from Mars



It looks peaceful—this picture of Orson Welles directing his Mercury Theater of the Air, which comes over CBS every Sunday night from 8 to 9. But since last Sunday, Welles has been Bogie Man No. 1 to the general public and, more particularly, to the radio industry. The public's mass panic at the invasion from Mars had its equal in the broadcast-

ers' fear of invasion from Washington. The Federal Communications Commission's threat of investigation carried threat of censorship. But in Washington, the incident is regarded as heightening the bulwark against political censorship. The big splurge of publicity made the incident a poorer excuse to seize control than one arousing less attention.

Business, Unemployment, and WPA



WPA employment steps up at election time—Nov. '36 and Nov. '38. But each time, the increase in operations has followed a recession in business—a minor one in 1936, a fairly

major one in 1937–38. So, if there is political expediency (as many charge) the government has at hand the reasonable answer of economic expediency to meet the accusation.

Relief Spending Hits High Gear

WPA rolls, at all-time high, will be cut, but PWA, CCC, and other agencies are just swinging into full operation. Spending peak due in summer.

WASHINGTON (Business Week Bureau)—The government's spendometer is whizzing 'round and 'round—\$1,446,000,000 since July 1 for pump-priming and relief.

The Works Progress Administration is running ahead and most of the other spend-lead agencies behind original estimates for July, August, and September (BW—Jul 16 '38, p17). WPA's expenditure for the 3-month period was scheduled to total \$638,000,000; its actual expenditure was \$664,000,000. Estimates for the Public Works Administration, the Civilian Conservation Corps and other agencies, including state and local outlays for direct relief, called for an outlay of \$886,000,000. Disbursements, still partly estimated, apparently did not exceed \$784,000,000.

\$900,000,000 by Election Day

Preliminary reports for October show that Harry Hopkins' organization will have pushed out \$900,000,000 by Election Day. After that hump the work relief program will be curtailed to make both ends meet without asking Congress for more money to carry WPA to March 1. Estimates for November, December, and

January aggregate only \$624,000,000.

With an increase of 1,000,000 in private employment from June through October, Hopkins is perfectly safe in predicting a

decline in relief rolls. However, WPA rolls have climbed during this period to an all-time peak of 3,120,000 (including about 100,000 non-relief workers)—a circumstance which might seem to add force to the frequent allegation that relief rolls are raised before elections and dropped afterwards.

This, says the explosive Mr. Hopkins, is utter nonsense; he was simply given the job of pushing out relief money as fast as possible until private industry took hold. The fact that that time has now arrived, simultaneous with the election, is purely co-incidental, he says. And in further self-defense, he points to the sensitive relationship between relief and employment in Michigan where, since late August, WPA rolls have dropped from 203,000 to 165,264 (Oct. 29) as the automobile industry stepped on the gas.

Fear Effect of Faulty Timing

Timing of relief and pump-priming expenditures is a critical factor entirely apart from any political influence. It's pretty generally conceded that the current program, launched last July, should have got started earlier. With the constant rise in private business activity, apprehension is beginning to grow that by the time the peak in the government's spend-lead drive arrives next summer-to-fall, it will lift business to dizzy heights and then let it down with another thud as in 1937.

There's sharp conflict of opinion in Washington about this. Some government economists are confident that business will continue to push on, picking up 1,500,000 to 2,000,000 workers by spring, with the later peak in pump-priming likely to make trouble by sending economic blood pressure too high.

Other economic pulse-holders in Washington, a little woozy from the terrific swings in business activity in the past two years, are disposed to believe that

How the Pump Is Being Primed

Federal, state, and local funds for relief and work programs in the spend-lead drive

By Months, July 1938–January 1939

(Millions of dollars—000,000 omitted)

Agency	Actual Expenditures			Scheduled Expenditures				7 Months
	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	
Works Progress Administration.....	\$199	\$228	\$257	\$236	\$222	\$208	\$194	\$1,524
Public Works Administration.....	40*	40*	50*	55	65	70	80	400
Civilian Conservation Corps.....	22	24	24	24	24	24	24	166
Other federal construction agencies†..	95*	94*	100*	104	103	88	74	658
National Youth Administration.....	4	4	4	6	6	6	6	36
Farm Security Administration.....	7	8	11	11	12	13	13	75
Social Security Board.....	42	42	43*	43	44	44	44	302
Direct Relief	43	43	42	42	45	48	50	313
TOTAL	\$452	\$483	\$511	\$521	\$521	\$501	\$485	\$3,474

* Estimated. † Includes U. S. Housing Authority, Navy (excluding vessels), War, Bureau of Public Roads, Bureau of Reclamation, Rural Electrification Administration, and Treasury (public buildings).

On and Off WPA

The relief load isn't static; there's a small but constant "turnover."

Month	WPA's Estimated Case Load, First of Month	On WPA During Month		Off WPA During Month		— And Why They Left		
		Number Added	Rate of Addition	Number Leaving	Rate of Separation	Private Employment†	Transfers to Other Federal Agencies	Discharges and Layoffs
July.....	2,738,000	310,377	11.3%	166,330	6.1%	111,935	8,980	45,395
August.....	2,882,000	309,869	10.7%	194,516	6.7%	130,385	9,317	54,814
September*....	2,998,000	272,445	9.1%	227,827	7.6%	165,820	7,382	54,625

* Preliminary.

† Includes some not reporting reason.

business will continue to need all the pump-priming that's in prospect.

And despite the retrenchment in WPA, the prospect over the next nine months is for more rather than less, as the other agencies in the spend-lead drive swing into full operation. PWA, for example, is already getting into high gear. Although present expectation is that it will have pushed out only about \$400,000,000 in the first seven months of the drive, ending January, construction of every last one of 6,000 projects totaling \$1,500,000,000 must at least be under way by Jan. 1.

PWA is expected to meet that deadline. Hence, there will be considerable concentration of orders for materials and equipment in the next three months. Nearly 2,000 projects, costing \$500,000,000, are in construction now, and the rest, with the exception of 300 or 400, are moving right along through the various stages preliminary to award of contracts. Winter weather will hold down construction activity to some extent and actual disbursement of funds by the government doesn't tell the story by any means as checks are not issued until the projects have reached various stages of completion.

Rural electrification runs into important money this year. Out of REA's \$140,000,000 kitty, \$120,000,000 will be allocated by March or April. Eighty per cent of REA's loans are spent for materials—poles, wire, transformers, meters—ordered with the award of contracts which follow shortly after loans are approved.

Housing Offers Slow Stimulus

Slow to get going, a pump-primer that will continue for the next two or three years is the slum-clearance housing program. The \$800,000,000 fund should be covered by definite loan contracts by January, when the U.S. Housing Authority hopes to get more from Congress, but the preliminaries incident to preparation of plans and acquisition of land take time and the construction jobs are large and slow-moving. Twenty or more projects will be under construction by the end of the year and perhaps the entire present

program by June, 1939. Of the \$800,000,000 about \$690,000,000 will go for construction; the rest for land, demolition, architectural services, overhead items.

Although they are not an intrinsic part of the pump-priming program, armament expenditures may tend to push up the federal contribution to business activity, once they get rolling, thus adding force to the current cyclical recovery.

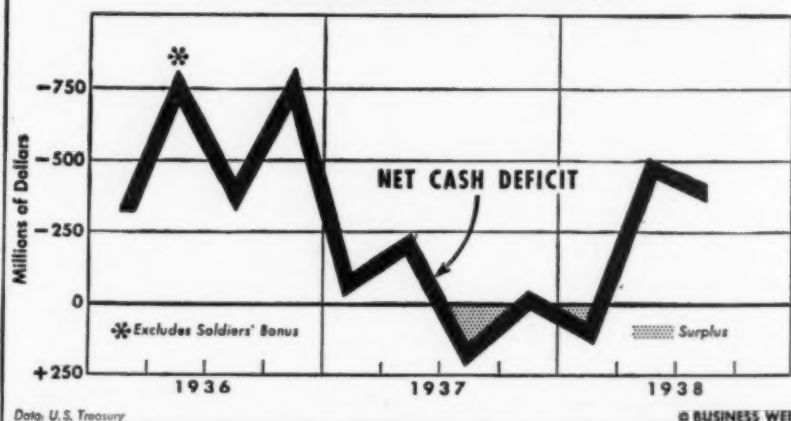
Essentially, pump-priming depends for its effect on timing. In 1937, for instance, government cash deficits declined sharply, with the result that business—which had been benefiting by heavy government spending operations—suffered. Then this year, as deficit spending operations were resumed on a large scale, industrial activity perked up. When the government

spends more money than it takes in from citizens in the form of taxes and customs receipts the result is stimulating. For in that case, the government has to borrow funds to aid business. It does not take from one group of citizens (taxpayers) to help another group of citizens (persons on relief). Hence, the next cash deficit is fashionably referred to in Washington these days as the government's contribution to recovery—a contribution that is on the way up and headed higher.

Of course, when and if the government starts living within its cash income, the policy will be reversed. At such a time, business on its own momentum will have to take up where the Treasury leaves off, if recovery is not to be checked, as it was in 1937 (see chart).

THE GOVERNMENT PUMPS AGAIN

(Net Cash Deficit Rises Sharply)



An integral part of the Administration's pump-priming program is deficit spending. Which is just an economist's way of saying that the Treasury lays out more cash than it takes in. Last year the government began to live within its means; by the third quarter, instead of putting money back into business, Sec. Morgenthau

balanced his cash book. There was a cash surplus—not a cash deficit. But now that the spend-lead program is in full swing again, the balance has shifted to a large net cash deficit. And that deficit, which represents the major part of the government's contribution to recovery, probably won't reach a peak until summer.

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AT ONE TIME**

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CAN BE WRITTEN
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Truck Show Reveals Big Changes

Invading New York for the first time, on Nov. 11, this exhibition will emphasize the trend to more diesels and cab-over-engine models.

IN THE MIDST of the preparations for the National Automobile Show in New York on Nov. 11, and the dealers' shows in various cities throughout the country the passenger car's big little brother—the motor truck—was also getting ready this week for its own particular spotlight.

Invading New York City from across the Jersey meadows for the first time, the National Motor Truck Show, running coincidentally with the automobile show, will open its doors and 100 odd exhibits at the Port Authority Building on Nov. 11.

Perhaps no show has had so spontaneous a growth in recent years as the truck show. First held five years ago, it was an outgrowth of pressure on commercial vehicle manufacturers by the users and purchasers themselves—state trucking associations and major fleet operators. It dispenses with most of the public ballyhoo and gets down to the serious business of making truckers acquainted with the industry's products. Most of the work in connection with the show is done by the customers themselves. Thus John F. Winchester, chief of Standard Oil of New Jersey's big fleet operations, is president of the exhibition. The show managers have sold out all of the hall's 160,000 square feet.

Truck business, like that of passenger cars, has been off in 1938 compared with last year, but the decline has not been as serious. On the other hand, truck sales have not been picking up lately as have passenger cars. Truckers are motor-wise and expected important developments in 1939 models.

Industry Is Optimistic

With its new offerings, however, the truck industry has great hopes for 1939. It is banking on a sharp upswing and is supporting its guess with notable changes and improvements and line expansions.

For some time, the offering of diesel-engined trucks has spread among the smaller builders such as Condor, Corbitt, Gramm, Fargo, Hug, Kenworth, Marmon-Herrington, and Walter. These have used engines produced by such independent engine companies as Hercules, Waukesha, and Cummins. Some of these engines last year even found their way into some models of trucks offered by Chevrolet, Diamond-T, Dodge, and Studebaker.

For 1939, important manufacturers are embarking on the production of their own diesels. Thus General Motors Truck

Corp. has a line of a dozen trucks powered with General Motors diesels. Dodge has its own diesel in a three-tonner; Mack-International has one too; while International trucks, powered with Cummins diesels, are available on special order.

For the time being the independent engine manufacturers do not stand to lose but rather to gain business in diesels from the trend. Many an operator has until now been questioning the desirability of staking reliability and freedom from trouble against the better economy of the fuel oil engine.

Also in the new-fuel field is a Ford V-8 engined vehicle (not a Ford offering), carburetted to run on propane or butane.

Cab-over-engine trucks—originally an expedient to permit carrying of maximum loads on shorter wheelbases to meet legal restrictions—apparently have more than justified their existence by providing better load distribution on all wheels, taking some of the weight off the rear and transferring it to the front axle. Once offered mainly in connection with heavy duty

trucks, the design has now crept into the light and medium tonnage line of such producers as Chevrolet, Federal, Dodge, Ford, I.H.C., etc.

A definite trend will be noted to lighter-weight, higher-strength materials, on the theory that a pound saved in structural weight means an extra pound of payload that can be legally carried. Typical is Fruehauf's new line of lightweight alloy-steel dry-cargo trailers designed along airplane fuselage lines and fabricated of high-tensile alloy-steel frames with aluminum-alloy paneling. White boasts a new line of lightweight engines weighing as little as seven lb. per hp.; a feature of the White lines is a retail delivery truck powered with an air-cooled engine built at the Franklin plant.

Among the Offerings at the Show

Biggest exhibits will be Chevrolet's and International's—the former featuring its cab-over-engine models, the latter its six-wheel driving mechanism. Ford's exhibit will serve to introduce not only cab-over-engine models but also hydraulic brakes on the complete line of trucks.

Dodge's trucks will be among the first to come off the line in its brand-new 49-acre truck plant which started rolling them out in Detroit last week.

Connersville's former Auburn plant's reentry into the vehicle manufacturing field will be signaled by exhibiting the new version of the Pak-Age-Car for door-to-door delivery work. Others with new models along this line include White, Divco, and Walker.

Marsh Buggy



Engineers with construction jobs in deep mud, reed-covered marshes, places where there is "no bottom," have rigged up many "home-made" devices to keep trucks above ground. Here's the new model of the All-Wheel-Drive Marsh Buggy, a production unit designed for such emer-

gency jobs. The truck, which has been converted by Marmon-Herrington Co. of Indianapolis from a regular Ford truck, gets remarkable "flotation" from the giant tires, and is said to be able to paddle across a swamp that would stop boat, man, or beast.

All Industry *drinks from this cup*

*As steel flows to market, 2186
Texaco supply points provide needed
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THE TEXAS COMPANY in 48 States



First Aid From Scooter Cop



Patrolmen of the Inglewood, Calif., police force have been equipped with motor scooters which get them around at 30 miles an hour, 130 miles on a gallon of gas. The scooters, which save wear and tear on the patrolmen's dogs on long suburban beats, are made by E. F. Salisbury, of Inglewood.

Insurance Men Study Public Policy

Supplementing moves already made to still critics, life insurance presidents talk of plans for advertising campaign to answer charges in monopoly probe.

WHEN the Association of Life Insurance Presidents meets in New York the first of next month, the uppermost topic in the minds of company executives from all over the country will be public relations. This may be detected even in the theme for the convention—"Underwriting America's Human Values."

The industry, due to sporadic attacks on it, has been fairly conscious of its public relations problem for a good while. It has, in fact, taken several steps in the last year all of which are calculated to be helpful. Almost a year ago, a movement was launched (*BW—Dec 11 '37, p24*) which shortly will bring results in the form of lower interest on policy loans. Early this year the big companies put themselves behind the housing drive, led by the Metropolitan Life which earmarked a fund of \$100,000,000 and started construction of a big low-rental project in New York City. Still later they did not attempt to block passage of a savings bank life insurance measure in New York state, even though final approval meant loss of some business.

Despite these steps, the industry realized that it was susceptible to political attack simply because of its great size. Hence, when Washington decided on a general monopoly investigation, there wasn't much surprise that insurance companies were put on the list.

Committee's Approach to Inquiry

The tenor of the questions which the Temporary National Economic Committee will ask isn't hard to predict. For the most part, it will be:

"How can companies be so big and not exercise a very large, and perhaps improper, measure of control over wide segments of American industry?"

There has been a widespread demand, particularly from agencies, to lay the groundwork for the reply before the question is asked. There has been some organized consideration of an industry-wide advertising campaign, but nothing has been settled. There may be a good deal of private conversation about such a campaign when the top executives gather in New York on Dec. 1, but it's

a good bet it won't come to the floor.

Convention speeches, however, will suggest many an appropriate copy theme—a review of the accomplishments of the industry through the tumultuous years since 1930, an analysis of how the insurance companies help supply capital needs, an appraisal of what 1938 life insurance payments have done to mitigate the stress of the times.

Policy Loan Interest Rates

Other problems of the life insurance companies are of a type that they've had with them for a long while. They have answered one question with the adoption, effective the first of next year, of the new clause on policy loans. These in the past generally have been at the rate of 6% per annum. The new provision is that, after payment of three annual premiums, loans may be made at an interest rate of not more than 4.8%.

That was the answer to critics who wanted to know why, in these days of low interest rates, borrowers on life insurance policies should continue to be obliged to pay 6%. The fact is, however, that the life companies know more about low interest rates than their policy holders. The companies have the greatest difficulty investing their money at as much as 3½%.

That's the reason for the new regulation to be put into effect by most companies limiting interest payments on funds left on deposit with insurance companies to 2% or 2½% annually. This, it is figured, will be equivalent to a slightly higher net cost to holders of annuity policies. There have not, however, been any general increases in the cost of life insurance posted for next year.

Hubbub in Oil

Roosevelt, Marland, and Phillips give views on eve of industry convention.

OIL MEN will have plenty to talk about when they gather for the annual meeting of the American Petroleum Institute in Chicago on Nov. 14. There are the recent drop in prices of crude and gasoline (*BW—Oct 29 '38, p34*), the angry argument over Mexico's sales of confiscated oil, and much speculation over the industry's future relations with government.

Viewing the afflictions of producers, that petroleum veteran, Gov. E. W. Marland, of Oklahoma, reversed last week a long-standing attitude toward federal regulation. Formerly a stalwart exponent of states' rights, he announced that he favored modified U. S. control of oil conservation, and amendment of the Connally "hot oil" act to prevent interstate movement of oil in excess of amounts fixed by a (to be created) federal administrator.

Gov. Marland's statement followed a

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speech by Frank Phillips, chairman of the Phillips Petroleum Co. Mr. Phillips opposes government domination but said that "unless producing states exercise complete control of oil production, and unless the industry can devise some co-operative plan of regulation with government participation so that all concerned receive fair treatment, I fear we are faced with the possibility of absolute government control of all phases of the oil industry."

Oil Marketers' Resolutions

Meantime the militant National Oil Marketers Association was conventioning in Chicago. This is the organization of independent jobbers which prodded the U. S. Department of Justice into the investigation leading up to the famous Madison, Wis., anti-trust suit. In Chicago the marketers heard Ida Tarbell, the 81-year-old chronicler of Standard Oil, declare that equality in the industry could only be obtained by government ownership of pipelines. The association's resolutions repeated its opposition to the "hot oil" act, the interstate compact, government forecasts of supply and demand (on the grounds that these devices aid price-control practices), and demanded abolition of holding companies.

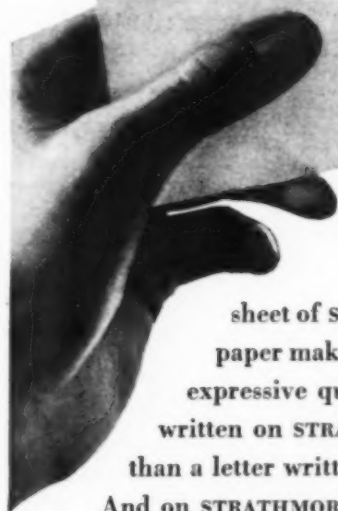
Secretary of the Interior Ickes, habitual scoffer at the idea of state control, has been strangely reticent through it all. But President Roosevelt, foregathering at Hyde Park with Col. E. O. Thompson, Texas railroad commissioner and chairman of the interstate oil compact, threw off the suggestion that oil compact legislation be extended to cover refining.

Compact Merely Recommends

The oil industry is trying to figure whether the President is shy on facts, or is hiding some future intention, or is just kidding. The idea of extending the interstate compact's power is an industry laugh because the compact hasn't any powers to extend. It is a polite debating society which is restricted to discussion of oil conservation. It can only "recommend." Members are Texas, Oklahoma, Kansas, Illinois, Colorado, New Mexico. In order to include refining, many distant non-producing states would have to be included. Question: If the compact is powerless to stabilize oil production in a few states, how could it stabilize refining in many additional states?

In the midst of all this, word comes from Washington that the Department of Justice has been delegated by the joint Congressional-Administration monopoly group to give the entire oil industry a going over. Thurman Arnold, head of the department's anti-trust division, will handle the inquisition. He will probe all phases of production, refining, transportation, marketing.

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to the light



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PRODUCTION

Form New Fiberglas Company

Owens-Illinois and Corning organize a corporation to make and sell spun glass, for use in insulation, textiles, and other industrial purposes.

BACK IN 1893, the glamorous Infanta Eulalia, crown princess of Spain, descended upon the first Chicago World's Fair with all her retinue to help celebrate the Columbian quadricentennial. Part of her pre-arrival publicity build-up laid stress on a then unbelievable dress of woven glass. One contemporary reporter states that observers of the appearance would not let themselves believe that her softly draped dress was made of spun glass; another records that she couldn't get the dress on at all, because it scratched her royal skin, and that the Fair management had to contend itself with exhibiting the dress on a window dummy.

Be that as it may, it is safe to say that for a generation spun glass or fiber glass or Fiberglas, as it is now trademarked, was little more than a glass-maker's stunt (or a highly specialized operation like that of Friedrich & Dimmock, who have been spinning glass for battery insulation and other uses for many years). But about a decade ago, James Slayter, of the research staff of Owens-Illinois Glass Co., began to explore ways and means of producing glass fibers economically and in quantity. Corning Glass Works cooperated. By the time of the 1935 Chemical Show, both companies had licked various problems sufficiently for Corning to exhibit several fabrics woven from its glass yarns. By the following summer, the art had advanced to a point where Owens-Illinois was producing about 1,000 lb. of the new yarn per week, and Corning was getting into production with a continuous furnace capable each workday of producing yards and yards of glass building insulation and other products (*BW—Aug 22 '36, p 21*).

Setup of New Concern

This week, after the expenditure of some \$5,000,000 on Fiberglas development, the brand-new, jointly owned, Owens-Corning Fiberglass Corp. received its Delaware certificate of incorporation and got set to produce and promote Fiberglas in a bigger way than ever. Corning's Amory Houghton is chairman of the board of the new outfit; Owens-Illinois' Harold Boeschstein is president. Principal office is in Toledo; sales offices will be located in New York, Ros-

ton, Washington, Chicago, Detroit, Pittsburgh, Cincinnati, and San Francisco. Like Pittsburgh-Corning Corp., which was organized jointly last year (*BW—Mar 20 '37, p 1*) by Pittsburgh Plate Glass Co. and Corning to manufacture glass blocks, Owens-Corning is an independent corporate structure and will not operate as a subsidiary of either parent company. Unlike Pittsburgh-Corning, which built a new plant and does its selling through Pittsburgh Plate, Owens-Corning will draw for the present on the production facilities of both parents, while handling research and sales in its own right and name.

This week also, both to celebrate its nativity and to highspot its present and potential importance in industry and daily life, Owens-Corning invited 180 business and press leaders to New York's Waldorf-Astoria to see a comprehensive exhibit of

Fiberglass applications. There were no dresses on display for contemporary infants. Instead there were electric motors whose bulk per hp. had been reduced by a good one-third by glass insulation on their internal wiring and whose ability to withstand high heat and overload has been raised many per cent. Although Owens-Corning researchers will continue to work on glass textiles for wearing apparel and draperies, they will aim for the time being chiefly at textiles for filters and dust collectors and other industrial applications where a fireproof, acid-proof, vermin-proof material is most desirable. A new type of glass, developed for textile purposes, was exhibited, one which may be drawn as fine as the finest spider web.

Outstanding Uses of Product

Glass-insulated stoves and refrigerators will save gas and electricity in glass-insulated homes which will be warmer in winter and cooler in summer. Fiberglass mulch will protect plants and shrubs from winter snows. Fiberglass insulator plates are making longer lasting storage batteries of greater capacity; more compact glass-insulated generators will charge and recharge them. Glass filters have been helping to condition air these many years. Newer developments exhibited this week include glass pipe covering for high-temperature and refrigeration lines, glass blankets for steam turbines to help them operate at maximum practical temperatures without damage, sound insulation for airplanes and other structures.

PRODUCTION ANGLES

Auto Show Production

FOR WEEKS AND WEEKS, automotive manufacturers have been working at top speed in the enormous annual production job of getting their cars and accessories ready for the National Automobile Show which opens for an eight-day run at Grand Central Palace, Nov. 11. But few of the automotive show-goers will appreciate the enormous production job of getting the Palace itself ready. This week, for instance, a young army of carpenters, electricians, and other specialists moved in and got to work. When Armistice Day dawns, they will have erected 130,000 running feet of lumber, laid 80,000 sq. ft. of carpet and 27,000 sq. ft. of linoleum, tacked and glued two and a half miles of gold tape to add luster to a special lighting system designed to give the auto show a mellow sales- and profit-producing glow.

Electrified Egg Factory

HENS ON THE FARM of Charles F. Wendig, near New Hope, Pa., 35 miles north of Philadelphia, promise to lay 1,000 eggs

per day, on a factory production basis, where 500 eggs were laid before, all through the application of scientific methods and the intelligent utilization of about 23 kw. of electricity. Westinghouse Electric & Mfg. Co., cooperating with Philadelphia Electric Co. and seven manufacturers of farm equipment, did the job. Electricity wakes the chickens, keeps their chicks warm, heats their water, provides them with 12 hours' light per day the year around, grinds and mixes their feed, sterilizes their air and grain, grades their eggs, cleans the shells, and puts the hens to bed at night.

32 Ounces per Shot

IN THE INJECTION molding of plastics, capacities are tending upwards. A few months ago, for example, Hydraulic Press Mfg. Co., Mt. Gilead, O., brought out its Model 100 H-P-M Injection Molding Press with a then high capacity of 16 oz. of plastic material per shot. Now it announces Model 500 with a capacity of 32 oz. per shot. Three of the new presses are being installed by Thermo-Plastics, Inc., St. Clair, Mich.

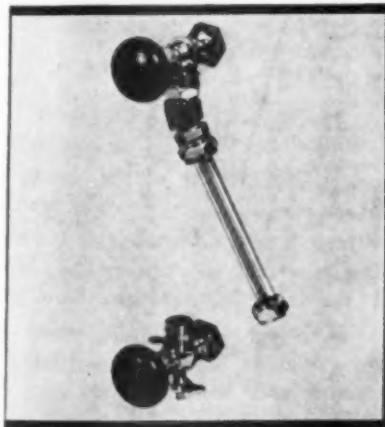
NEW PRODUCTS

New at the Hotel Show

THE 23RD National Hotel Exposition which held forth last week at Grand Central Palace, New York, brought to light at least four interesting developments: (1) The Atkinson Adjustable Bedspring, now being introduced by R. H. Macy & Co., New York. The turn of a lever makes the bed hard, soft, or medium. Two levers on a double-bed-spring make possible individual adjustments for a 200-pounder and his or her lighter mate. (2) Glassave Stemware for the table, developed by Glassave Co., Inc., 630 Fifth Ave., New York. The stem is metal; the "bowl" is glass. If the latter breaks it may be replaced easily and economically. (3) The Letsch Oyster Opener, a heavy, powerful mechanical persuader, invented by the chef of Brooklyn's St. George Hotel, and marketed by Barth Equipment Co., Inc., 390 Fourth Ave., New York. (4) The Ak-Q-Tap, a self-measuring stopper for any bottle, does the additional job of a jigger in the mixing of drinks. As manufactured by Barr Products Co., 369 Pine St., San Francisco, one size pours exactly one ounce; another one and a quarter ounce.

Flexible Gage Unit

WHEN IT BECOMES NECESSARY to clean or replace the gage glass on boiler, brewery vat, coffee urn, or what-have-you, and it



is equipped with the Flex-Tite Unit of Slater Mfg. Co., 24 Water St., Wakefield, Mass., it is a simple job. The metal bellows, which makes the job easy, also takes care of any misalignment in gage cocks.

Keyhole Light

LATE-STAYER-OUTERS who have difficulty locating the key-hole when they finally come home will be first to replace their standard doorknobs with Beacon Electric Door Knobs, manufactured by Jaxon Mfg. Co., 329 Front Ave., N.W., Grand

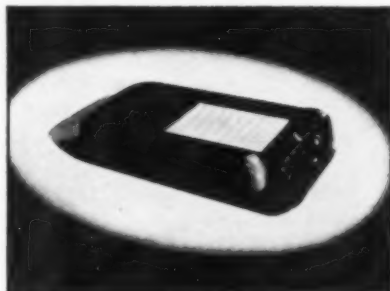
Rapids, Mich. Push a button, and an inbuilt battery will energize a light over the key hole.

Dust-Removal Cabinet

A NEW SELF-CONTAINED Dust-Removal Cabinet, which may be attached to any Delta pedestal tool-grinder, is being brought out by Delta Mfg. Co., 600 E. Vienna Ave., Milwaukee. Inbuilt dust filters entrap fine dust; baffle plates ease heavy particles into the cabinet base for subsequent removal.

Plastic Register

THREE CONSIDERATIONS led Miami Systems Corp., Cincinnati, to adopt a Durez molded plastic case for its new Miami



Portable Register: light weight, appearance, ability to withstand greases, oils, mild acids and alkalies, and heat. Reynolds Molded Plastics, Jackson, Mich., did the molding job.

Records on Wheels

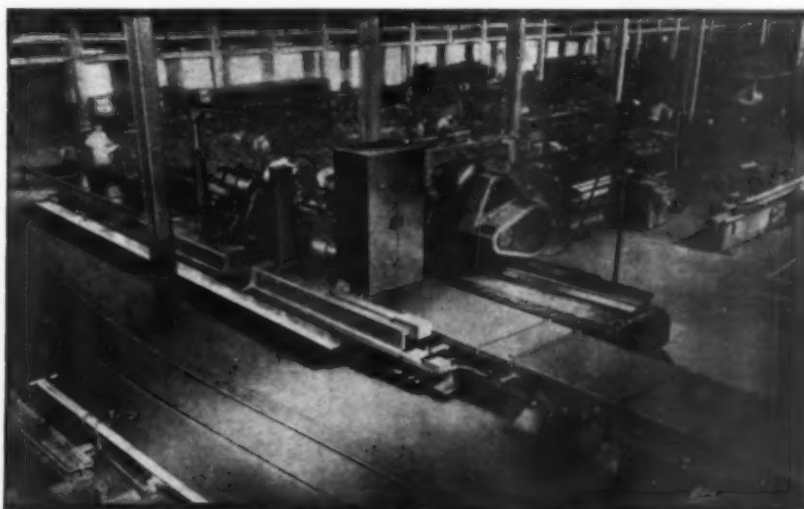
MONTHS OF ACTIVE SERVICE preceded the announcement of the new Cardineer Wheel Record System by Diebold Safe & Lock Co., Canton, O. The device revolves in a vertical plane, accommodat-



ing from 1,000 to 7,000 posting or reference records, and presenting each in one common position at the top of the wheel for easy reach and high visibility. Removable segments speed transfers and permit instant division of work on days of "peak load." Wheels may be built into desks if desired. Diebold is also ready with the Reveldex Wheel Record System which revolves similarly, but in a horizontal plane.

Cylinder Truck

IN ANY OPERATION requiring the moving of heavy cylinders for gases like anhydrous ammonia, chlorine, etc., the special lifter and the clamp device on a new Cylinder Hand Truck, now being marketed by Lewis-Shepard Sales Corp., 245 Walnut St., Watertown, Mass., take the back-break out of the job.



Five flat cars were required to ship a gigantic new cylindrical grinder which will swing work 36 in. in diameter and 40 ft. long. Customer's specifications were based on the grinding of a machinery steel shaft, 4 in. diameter and 33 ft. long, to a

straightness within 0.0008 in. and a roundness within 0.0002 in. Norton Co., Worcester, Mass., the builder, designed it not only to hold cylindrical work well within the specified limits, but to grind tapers to equally close tolerances.



● He's finished high school. Because of the lack of funds, college is out of the question. Because of necessity, he must get a job—must find his spot in a whirling and complex world.

He finds a job, struggles along, maybe changes jobs, maybe gets married—suddenly realizes that years and years have passed, and he's getting nowhere as far as recognition and compensation go. He counsels with himself and realizes that the thing he needs most to get ahead is—*specialized training!*

As a result, he does what many thousands of other young men in the same predicament each year do—he turns to the International Correspondence Schools for the specialized training he needs to do a better job now in order to get a better job later on.

There's no magic in the way I. C. S. teaches. I. C. S. texts are prepared by outstanding authorities in the various fields of American business, and lessons are studied step by step under the guidance of highly trained home-study instructors. A personal relationship exists between student and instructor from start to finish. Mastering an I. C. S. Course is not the achievement of weaklings. It is the achievement of men who have faced one of the coldest facts of life and determined to change it!

"The Business of Building Men" will be sent—free—on request.

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Sydney • Wellington • Cairo • Shanghai • Havana • Mexico City • Honolulu • Buenos Aires • Manila • Cape Town

LABOR AND MANAGEMENT

Launch "Youth-in-Business" Plan

Junior Achievement program, designed to give youngsters practical experience in operating their own businesses, gains backing of a hundred industrialists.

A NATIONAL CAMPAIGN for the education of youth in business, enthusiastically endorsed by more than a hundred leading industrialists, appeared this week on the labor-and-management horizon. Based on a thoroughly-tested and successful formula—New York City's Metropolitan Junior Achievement plan—the program will be inaugurated simultaneously in eight major cities, according to present plans, and expanded later to other centers.

Last week, 52 executives from as many different big businesses attended a private dinner in New York and heard all about Junior Achievement. Some 60 others, unable to attend, are listed as backers of the plan.

Briefly, the idea behind Junior Achievement is this: A group of young people, 16 to 21 years of age, set themselves up in business—the business of making and distributing goods—usually a textile, leather, wood, metal, or plastic product. Working nights and at odd hours outside their school or regular employment, they first plan their prospective business from beginning to end, with able and experienced adult advice. Careful surveys determine what their market is and where it is, what kind of raw materials they need, how they can get space for "plant", how they will go about production, sales, and management. They determine how much capital they need, and get it by selling stock at 25¢, 50¢, or 75¢ a share (some of which they buy themselves and some of which they sell outside).

Organization of the Companies

The groups of young people, organized in the Junior Achievement movement, are found in many sections and environments. Some of them are typical "Dead End" gangs. Others are neighborhood clubs organized by churches, settlement houses, and other social agencies.

Each group is a separate company. Every member is an employee and also (through his share ownership) an employer. The members choose their own board of directors, and elect a president, treasurer, and other executives. The production manager runs his end of the show with absolute authority—giving orders and checking the work of all the others, including the president, while they are at the work-bench. (Later the president

may find it necessary to call the production manager on the carpet to explain plant deficiencies!)

The sales manager has his specialty to manage—but he, also, is a manual worker part time. Finished products are sold, and the income goes for stock replacement, reserves, wages, dividends, expansion—all the things which get a share in division of profits from regular business.

Most amazing angle to the business men who are getting behind the Junior Achievement idea is the fact that it isn't a "paper plan" of something that would be nice to try, nor is it laden with sentimentality or charity. There are 50 of the youth companies in New York City; last year every one of them made a profit.

Junior Achievement thus far has gone through two phases. From 1919 to 1929, it was to be found only in New England. The first tentative youth company was sponsored in Springfield, Mass., by four men who thought that there should be something like the farm boys' 4-H clubs for city boys. These four sponsors—Horace A. Moses, president of the Strath-

more Paper Co. at Springfield; the late Theodore N. Vail, president of the American Telephone & Telegraph Co.; the late Sen. Murray Crane of Massachusetts; and the late Edward W. Hazen, a Curtis Publishing Co. director—put in their own time and money to get the plan started. Moses has been a sort of father to the idea ever since and today is head of the national movement.

In a decade, the idea spread throughout New England. Companies appeared in Providence, Bridgeport, Worcester, Holyoke, Boston, and several other cities and towns. By 1929, the sponsors were ready to try it on New York, and since then it has reached its highest point of development there. It has appeared in a smaller way in Philadelphia, Cleveland, and Memphis.

Business Leaders Help Movement

The awakening outside interest which may mean a national boom for the youth-in-business plan began last May when Charles R. Hook, president of American Rolling Mills, was asked to speak at the seventh annual convention of the New York Junior Achievement companies by its adult directors, J. S. Mendenhall and Marion L. Ober. The meeting made a convert of him.

Hook and Moses, together with several others, organized the introductory meeting in New York last week. Moses was host, Robert L. Lund of Lambert Pharmaceutical Co. acted as chairman, Hook and John J. Watson, president of International Agricultural Corp., appeared as sponsors. With questions coming thick and fast, the meeting ran for hours. One of the most prominent speakers was a "graduate" from one of the young business



Charles R. Hook, president of American Rolling Mills, besieged by young "industrialists" after he had addressed their annual convention.

Newsphoto, Inc.

companies, brought in to tell the industrialists what he thought he had got out of it and what they might get out of it.

The Achievement plan is evaluated by its sponsors in much this fashion:

1. It is of direct benefit to the individual boy or girl who gets a sound, practical business training.

2. It is of benefit to employers, in that it furnishes a pool of skilled, intelligent young people to draw on for help as needed. The youngster who has been through the training has a brass-tack familiarity with overhead, marketing, selling, financing, and other management problems—not an academic knowledge.

3. It is of benefit to the community, and business can promote good public relations by supporting it. Some of the most interesting stories about the groups are those which relate of the decline in the memberships' interest in "isms."

Associated Farmers Go National

California group takes in members from 15 states. La Follette committee plans investigation of "vigilante" charges, already preferred by NLRB.

THE ASSOCIATED FARMERS, organized in 1934 by California agriculture and allied interests to resist union penetration of fields and canneries, will move into the national limelight next week.

On Nov. 10, in San Francisco, the La Follette Senate Civil Liberties Committee begins investigation of A.F. methods to discover whether they come under the head of "vigilanteism"—an accusation which has already been leveled against

the Washington branch of the A.F. in a report filed by Trial Examiner Charles A. Wood of the National Labor Relations Board. He finds the A.F. guilty of violence against the United Cannery, Agricultural, Packing, and Allied Workers of America, and recommends that the Ross Packing Co. of Selah, Wash., be ordered to re-employ discharged union members and to cease paying money to the A.F.

Simultaneous with the opening of the La Follette Committee hearings, announcement will be made that the A.F., at its annual convention in Ventura, Calif., Dec. 9, is to set up a national organization, the Associated Farmers of America.

The new body will begin with about 100,000 members in 15 states, including (besides California, Oregon and Washington, now organized as the Associated Farmers of the Pacific Coast) Nevada, Idaho, Colorado, Montana, Wyoming, Wisconsin, Minnesota, Illinois, Indiana, Pennsylvania, New Jersey, and Florida.

Since the A.F. was formed in California, it has been possible to harvest all the state's crops without loss from tie-ups in the field or on the highway. There's plenty of argument about A.F. methods but general agreement on their effectiveness. Efforts of unions to organize farm and cannery workers in California have been stymied so far. Harry Bridges' "march inland" to the agricultural hinterland and Dave Beck's drive to unionize hauling of farm products into Los Angeles and San Francisco have made little progress in the face of aggressive A.F. opposition.

Methods of Associated Farmers

A.F. procedure, which undoubtedly will be adopted more or less in states where units are formed, is based on four fundamentals: (1) Enactment of state, county, and city laws strictly regulating union activities (the labor amendments to be voted on Nov. 8 in California, Oregon, and Washington—page 15—are largely of A.F. origin). Also, there's often plenty of leeway, under terms of local health and vagrancy laws (if adroitly drawn), to run union members out of a community. (2) Election of sympathetic officials to key positions in city and county. The A.F. may even have a friend in the U.S. Senate if Republican Phil Bancroft, former A.F. official, is victorious over Democrat Sheridan Downey next Tuesday. (3) Constant insistence on "law enforcement" wherever unions become active. And the



The Baltimore Stadium, built in 1922 at a cost of more than a half million dollars, was constructed over a fill where settling was to be expected. The seating structure had to be flexible enough to adapt itself to this settling without serious structural failure. Timber construction was chosen because the cost of any other type built with the necessary flexibility would have been prohibitive.

Untreated timber was used and after a time had to be replaced. The replacements were made with pressure-cresoted timber in the mudsills and pressure-salt-treated timber in the other sections. Protected now with pressure-treatment, the stadium seats will last for years without maintenance or failure, yet it is estimated that the use of treated timber reduced the annual cost about 75% as compared with other types of permanent construction. This timber was treated by The Wood Preserving Corporation, a Koppers subsidiary.

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SEE IF KOPPERS MAKES IT

BOILER AND POWER PLANTS • CASTINGS • COAL AND COKE • COAL CLEANING PLANTS
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COUPLINGS • WESTERN FIRE HYDRANTS • INDUSTRIAL CHEMICALS • MUNICIPAL INCINERATORS
• PISTON RINGS • PLATE WORK, TANKS • PURIFICATION SYSTEMS • RECOVERY PLANTS •
SEWAGE DISPOSAL EQUIPMENT • SHIPS AND BARGES • ROOFING • TARMAC ROAD TARS
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K O P P E R S

*They keep
their*
EYES
on the
WORK
instead of the
Keyboard

Consider not only the *speed* of the Underwood Sundstrand. Think of the ease of operation—the saving of eye-strain—the saving of hand travel—the freedom from head-swinging fatigue. On this modern adding-figuring machine, there's no need to swing your head from keyboard to work. One hand stays on the simplified ten-key keyboard. The other hand and the eyes follow the work!

The Underwood Sundstrand adds, subtracts, multiplies and divides with an ease that is astounding. With only ten numeral keys to operate, touch-figuring develops naturally as it is simply a habit you acquire in an incredibly short period of time.

Let us demonstrate the new Underwood Sundstrand on your own work in your own office. We believe you will find it faster and so much easier and pleasanter to operate that you will want to switch to an Underwood Sundstrand immediately.

Write or telephone our nearest Branch for a free trial today.

Adding Machine Division
UNDERWOOD ELLIOTT FISHER COMPANY
Adding Machines . . . Typewriters . . . Accounting Machines
Carbon Paper, Ribbons and other Supplies
One Park Avenue, New York, N. Y.
Sales and Service Everywhere
Underwood Elliott Fisher Speeds the World's Business

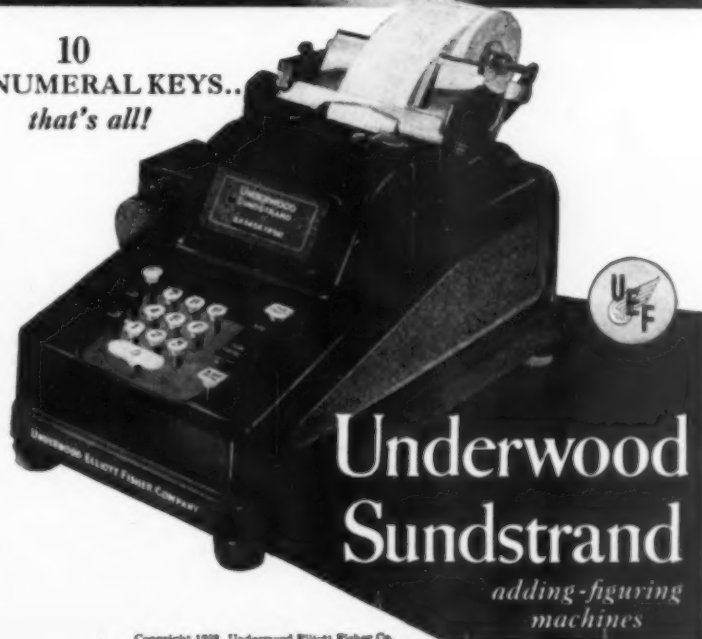
3996 Items Per Hour
Miss Catherine Norwood of Baltimore demonstrates speed of the Underwood Sundstrand in stop-watch test and in the presence of two witnesses.



5192 Items Per Hour
Miss Lillian Dietzman of Philadelphia operating an Underwood Sundstrand. The stop-watches registered more than 86 items per minute. Note that her eyes are on the work—only her right hand is on the keyboard.



10
NUMERAL KEYS..
that's all!



**Underwood
Sundstrand**
*adding-figuring
machines*

Copyright 1938, Underwood Elliott Fisher Co.

A.F. does a lot of its own "law-enforcing," for many of its members have been made deputy sheriffs in times of labor stress. (4) An information system manned by members and friends keeps A.F. officials informed on surface and sub-surface developments in the state.

Political and economic pressure is used frequently to bring city groups into line. Two years ago, Harry Bridges' "march inland" threatened to make some headway in the San Joaquin Valley. His longshoremen at the inland port of Stockton, a few miles south of Sacramento, held a key spot in transportation of farm products to market by water. When Bridges tried to push further into the fields and canneries, with the Stockton longshoremen on hand to do whatever heavy missionary work was involved, the



Rugged, white-haired Col. Walter E. Garrison, president, Associated Farmers of the Pacific Coast, is scheduled to head the new national setup.

A.F. members put on a little demonstration of power. They quit buying and banking in Stockton. Business dwindled alarmingly. A few weeks later, the A.F. announced the situation in Stockton was "satisfactory" and Bridges' penetration has made little headway since.

Role of "Big Business"

Leaders of the organization in California make no bones about alliances with "big business," another angle to be probed by the La Follette committee.

In the Golden State, agriculture itself is "big business." Corporate farming on a vast scale is highly developed; there are corporations that manage hundreds of thousands of acres of farm land. Farming represents 30% of the state's total income. About 36% of railroad traffic originates on farms. The electric utilities sell \$17,000,000 of power and light yearly to agriculture. Farmers are big users of gasoline and oil in their large-scale mechanized operations. It's quite natural,

What to Write For About the Wage-Hour Law

A list of official bulletins which can be secured from the Wage and Hour Division, U. S. Department of Labor, Washington, D. C.

Date of Release	File Number	Subject
No date given....	*	An explanatory bulletin entitled "The Fair Labor Standards Act of 1938"; Reprinted from July, 1938, "Labor Information Bulletin," Bureau of Labor Statistics, U. S. Department of Labor. Revised Sept. 1, 1938.
Sept. 22.....	25	Rules of procedure to be followed by industry committees in their work of investigating and recommending minimum wage rates. (Explanatory memoranda 14a through 14k provide supplementary advice and information on the organization and work of industry wage committees in textiles and tobacco.)
Oct. 10.....	51	Explanatory pamphlet entitled "A Ceiling for Hours, A Floor for Wages, and A Break for Children."
No date given....	*	Rules and Regulations—Series One: Rules applicable to industry wage committees.
Oct. 12.....	62	Interpretative Bulletin No. 1: General statement as to the coverage of the Fair Labor Standards Act of 1938.
Oct. 12.....	*	Parts 521 to 524: Regulations applicable to employment of apprentices, learners, messengers, and handicapped persons, pursuant to Section 14.
Oct. 17.....	73	Interpretative Bulletin No. 2: Application of the act to the District of Columbia and territories and possessions.
Oct. 18.....	*	Section 524.90: Temporary certificate of exemption during period before normal procedure is in full operation. Applicable to employment of handicapped persons.
Oct. 18.....	*	Section 521.90: Temporary certificate of exemption during period before normal procedure is in full operation. Applicable to employment of apprentices.
Oct. 19.....	81	Statement on partial exemptions for learners, messengers, apprentices, and handicapped workers.
Oct. 19.....	*	Part 541: Regulations defining and delimiting the terms "Any employee employed in a bona fide executive, administrative, professional, or local retailing capacity, or in the capacity of outside salesman."
No date given....	*	Form 521-1: Application for special apprentice certificate.
No date given....	*	Form 524-1: Application for special handicapped worker's certificate.
Oct. 20.....	*	Part 536: Regulations defining the term "Area of Production" for exemption of agriculture workers.
Oct. 20.....	*	Part 531: Regulations determining the reasonable cost of board, lodging, and other facilities, for determining exemptions.
Oct. 20.....	*	Part 526: Regulations applicable to industries of a seasonal nature.
Oct. 21.....	99	Definition of "area of production."
Oct. 21.....	102	Interpretative bulletin on computation of overtime pay.
Oct. 21.....	101	Wage-hour regulations on seasonal industries.
Oct. 21.....	100	Interpretative bulletin on deductions from wages.
Oct. 21.....	*	Interpretative Bulletin No. 3: General statement as to method of payment under the act and the application of Section 3 (m) thereto.
No date given....	*	Explanation of record-keeping regulations. (Title 20, Chapter V, Part 516, Sections 516.1 through 516.5.)
Oct. 21.....	*	Part 516: Regulations on records to be kept by employers pursuant to Section 11 (c).
Oct. 21.....	*	Interpretative Bulletin No. 4: Maximum hours and overtime compensation.
Oct. 24.....	*	Wage-Hour Act not retroactive.
Oct. 26.....	109	Announcement of public hearings to be held on learners' exemptions.
Oct. 26.....	113	Andrews' statement on wage-hour law results to date.
Oct. 25.....	*	Amendment to part 524, regulations applicable to employment of handicapped persons. Section 524-32 on distribution of copies of certificates.

* No file number.

the A.F. maintains, that the railroads, electric utilities, banks and oil companies should look sympathetically on any group that can guarantee uninterrupted harvesting and marketing of crops which provide California farmers with an annual buying power of \$600,000,000 (the A.F. so far has been able to do just that).

Warn Endicott Labor

Board of trade takes up cudgels for shoe company and business machine corporation.

SOMEWHAT CONFUSED by conflicting reports from the tri-cities of Endicott, Johnson City, and Binghamton, N. Y., business wondered this week if another "citadel of non-unionism" was being stormed. With Kohler, Wis., Hershey, Pa., and Maytag, Ia., in mind, industrial relations men watched closely to see what the next move would be from the associated business men who are stoutly defending the open shop in Endicott and the adjoining communities. Two big companies with intricate and highly-publicized plans of employee relations are spotlighted—the Endicott-Johnson Corp., maker of shoes, and the International Business Machines Corp.

Union organizers have appeared in Endicott, as they have in many other industrial communities. Some time ago an American Federation of Labor local of the Boot and Shoe Workers Union complained to the National Labor Relations Board that Endicott-Johnson was unfairly obstructing unionization of its workers. The NLRB investigated, and the company issued a letter to all employees later that it would not interfere with any legal action they wanted to take in pursuance of collective bargaining.

Defend Status Quo

Last week, business men organized in the local board of trade, announced their intention to open a campaign to "convince Endicott workers that the welfare of the community as a whole will best be served by maintenance of the status quo in capital-labor relations." The status quo is open shop. A letter carrying this statement and vigorously attacking "the vicious propaganda that is now being distributed to the workers" was publicly addressed not only to the 4,500 shoe workers but also to the thousands of business-machine builders.

A local attorney and board of trade director, Jacob Y. Becker, was announced in the press as spokesman for the associated business men, who declared that neither Endicott-Johnson nor International Business Machines had any part in the campaign. This point it was obviously necessary to make clear, because under the Wagner act, as interpreted by NLRB, an employer cannot issue anti-union statements to his employees.

LABOR ANGLES

Bring on the Fair

SAN FRANCISCO, which has been fervently hoping that labor troubles would be well ended prior to its 1939 exposition, was happy this week. Its warehouse strike was wound up two weeks ago; this week the department store agreement was ratified by the A.F.L. retail clerks. The contract with the local retailers' council is substantially the same as last year's agreement, with extension of vacations with pay and a slight increase of basic wage rates. The closed shop issue was abandoned by the union.

Section 18—a Puzzle

A BITTER DEBATE is swirling around Sec. 18 of the wage-hour law, which says in part that the act doesn't justify any employer "in reducing a wage paid by him which is in excess of the applicable minimum wage" or "in increasing hours of

employment . . . which are shorter than the maximum hours applicable." Many employers believe that they can with entire legality rearrange the wage scale to satisfy the law, with time-and-a-half for overtime, by an arithmetical redetermination of pay already well above the \$11 weekly set by law. Thus the total wage is left undisturbed, labor cost is not changed, and neither the worker nor the business is harmed. But Administrator Elmer Andrews, his legal counsel, and his economic advisers think differently. Sec. 18 looks like a natural for a Supreme Court test.

Very Tough Invalid

THE C.I.O., which in some circles has been reported as being on the verge of collapse during the past year, seems to be getting along all right. Within the past two weeks, its unions have gained a 3,047 to 237 employees' election at the big Armour packing plant in Chicago, have signed a closed shop contract covering some 18,000 employees of Eastern and Gulf Coast shippers, and have signed

50% SAVED
ON ASSEMBLY COST!

THE OLD WAY

THE NEW SPEED NUT WAY

Speed Nut System

Provides more efficient and economical assemblies at about half your present cost. SPEED NUT replaces both threaded nut and lock washer. Firm spring tension prevents vibration loosening and absorbs any movement from temperature changes. Porcelain, plastics or glass may be securely held without breakage. Sets a new high in quick application.

SPEED NUTS are manufactured from high carbon spring steel to provide positive holding power. Phosphor bronze or stainless steel SPEED NUTS are supplied where extreme conditions of corrosion exist. Made for most standard sizes of machine screws, stove bolts, metal screws, metal rivets and plastic studs. Many special shapes and sizes also developed for mass production products. Write today for samples, stating sizes you want and where you expect to use them.

SPEED NUT DIVISION

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2047 Fulton Road, Cleveland, Ohio

Manufacturers of Patented SPEED NUTS

that pertaining to Section 201 (n) of the Food, Drug, and Cosmetic Act, which provides that "if an article is alleged to be misbranded because the labeling is misleading, there shall be taken into account (among other things) not only representations made or suggested by statement, word, design, device, or any combination thereof, but also the extent to which the labeling fails to reveal facts material in the light of such representations . . . or under such conditions of use as are customary or usual."

The regulation provides that "among facts material in the light of a representation is the fact, when it exists, of a substantial difference of opinion as to the truth of such representation among experts qualified by scientific training and experience to evaluate the truth of such representation."

An Old Provision Comes Back

All of which means that while the act simply requires that manufacturers include necessary warning notices on their labels, the regulation extends that provision so that a manufacturer who does not state on his label any difference of opinion concerning his claims is guilty of misbranding. A similar provision appeared in the old Tugwell bill, and was likewise included in an early draft of the Copeland bill, though it was thrown out before the bill's passage. Hard to lose, the provision is back to plague manufacturers in the regulations.

"This very law," says Hugo Mock, counsel for the Toilet Goods Association, was drafted and largely passed through the efforts of a homeopathic physician (Dr. Copeland) and will it be said that right dealing requires that every homeopathic physician should acquaint his patients with the fact that his prescription would not be approved by 'experts qualified by scientific training and experience' who pass upon the merits of such prescription?"

Regulations on New Drugs

Another knotty regulation coming up is that concerning new drugs. Under the act, manufacturers of new drugs must make application to introduce the drug with the Secretary of Agriculture, and furnish him with full reports of tests and investigations showing that the drug is safe. The regulations, though, stretch the definition of new drugs to include those using a new "proportion of a substance in a combination even though such combination containing such substance in other proportion is not a new drug."

In other words, changing the proportions of ingredients in a drug formula brings it under the heading of a new drug, means it must go through the process of getting a permit of sale. Manufacturers will undoubtedly try to tighten this regulation to have it apply only where changing the proportions of a sub-

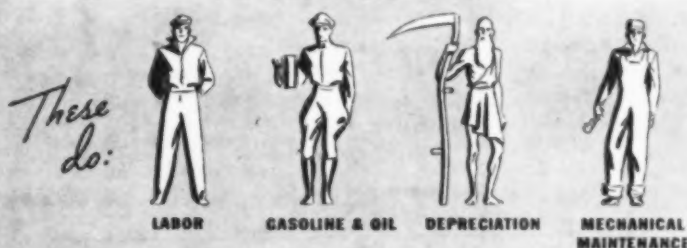
Rx For Immediate Increase in Truck Profits

.. reduce your TIRE EXPENSE

You operate trucks, of course, to make money.

And the money you make is whatever portion of your truck dollar that is left after all expenses are paid.

Now who gets a slice of your dollar?



Try as you will, the possibility of reducing the slice these get, is mighty small.

But there's still another slice that goes to:



TIRES



AFTER THESE 5 GET THEIRS, YOU GET YOURS

This tire item is the *only one* that can be reduced easily and quickly. And as you reduce it, your profit slice increases.

The formula for decreased tire costs? Use the best tires you can buy and take good care of them.

General Truck Tires have always been built stronger—to do their work better—deliver greater mileage and haul more payload.

It costs more to build a General, but thousands of truck operators know it costs less to use Generals. See your General Tire dealer. He may be able to reduce your tire costs materially.

THE GENERAL TIRE & RUBBER CO. • AKRON, OHIO
In Canada—The General Tire & Rubber Co. of Canada, Ltd., Toronto, Ont.

GENERAL TRUCK TIRES

stance in a combination produces a new effect.

Although Congress rejected the efforts of the Food and Drug Administration to get control of advertising, and assigned this function to the Federal Trade Commission, nevertheless F & DA is attempting the same thing obliquely, by means of its power over labeling. For it proposes that a drug label must include adequate directions for use in all conditions for which it is recommended or suggested in its labeling, "or in its advertising disseminated, sponsored by or on behalf of its manufacturer or packer, and in such other condition, if any there be, for which such drug or device is commonly used."

Labeling Requirements

All the labeling information required by the new act has to appear on the part or the panel of a bottle or package which is customarily displayed to the consumer, according to the regulations.

If two parts or panels are equally prominently displayed, the labeling information will have to appear on both—which ought to raise merry ned with the manufacturers who have trick, octagonal bottles, or the manufacturers of fancy perfumes whose sales are made because the bottle looks so pretty and uninformative.

These are the regulations currently

causing the greatest concern to the food, drug, and cosmetic industries. On Nov. 17, of course, representatives of all three industries will be out to argue over minor regulations which specifically affect their particular fields, but the loudest fireworks are being reserved for those regulations mentioned.

U. S. Milk Indictments

Dairy companies, public officials, and others are named in federal action.

IN CHICAGO THIS WEEK E. J. Lambe of suburban Wheaton, insurance agent and foreman of the federal grand jury that had spent three and a half months in an investigation of the Chicago milk industry (*BW*—Oct. 8'38, p. 23), stood before the bench in United States District Court, his fellow grand jurors grouped about him, and handed an envelope to District Judge James H. Wilkerson. The envelope contained two indictments, naming about 75 individuals and firms.

Foreman Lambe asked that the indictments be suppressed until Nov. 15, and Judge Wilkerson granted the request. A conference of government attorneys with the court followed. When it was over, newspaper reporters and magazine writers were told that bench warrants and

Ford Announces

LAST of the Big Three to announce, the Ford Motor Co. this week released prices on its 1939 models. Reductions of \$5 to \$20 are in line with the general trend of automobile prices (*Oct. 22, p. 14*). The standard 4-door sedan in the "60" line is quoted at \$665 against \$685 last year and the same model in the "85" line is priced at \$705 against \$710 last year. Chevrolet's lowest-priced 4-door sedan is \$669 and Plymouth's 1939 lowest is \$726.

Ford's new Mercury starts at \$894 for the 2-door sedan—\$1 lower than the biggest priced Ford in the de luxe class. The 4-door Mercury sedan is \$934.

Reductions on Ford trucks range up to \$50.

summons under the indictments will not be issued until Nov. 18. In the interim individuals who have been indicted will be permitted to surrender and post bond.

The dropping of the curtain on the first act of the milk drama found the actors on the stage worn and tense from the grand jury's long grind. Foreman Lambe's hand shook as he handed the envelope to Judge Wilkerson. Gray-haired, handsome Michael L. Igoe, U.S. District Attorney, who ordinarily looks fresh even in the midst of a grueling political campaign, looked a little tired. Leo F. Tierney, special assistant to the Attorney General of the United States, who has headed the government's legal staff, seemed nervous as a racehorse.

Involved in the Indictments

The indictments are believed to charge conspiracy to fix milk prices in violation of the Sherman anti-trust act. Business concerns hit by the government lightning are believed to include dairy companies, one or more cooperative milk associations, and possibly ice cream manufacturers. Individuals named are believed to include dairy company officials and executives, labor leaders, and possibly one or more public officials or members of their staffs.

Suppression of the indictments until Nov. 15—or after the election—is believed by close observers to have been for the purpose of relieving an honest grand jury investigation of any suspicion of having been influenced by political considerations.

The grand jury heard more than 300 witnesses, and listened to and studied more than 3,000,000 words of testimony. Its job was the biggest done by any similar body in Chicago since the prohibition era.

SHIPPERS ADVISE—"DEPEND ON

Kimpak

CREPE WADDING

TO PROTECT QUALITY MERCHANDISE IN TRANSIT"



Why do you recommend KIMPAK® for packing quality merchandise?

Because it's soft and resilient—cushions each article against shocks in transit that might damage your products. KIMPAK is free of dirt or grit, too—will not mar expensive finishes.

What proof have you that KIMPAK reduces shipping damage?

Actual results! When we pack with KIMPAK, even our most easily damaged articles reach dealers ready for immediate display—every piece in A-1 condition.

Can you use KIMPAK to pack every type of product?

Yes. Whether you're shipping fragile drug or cosmetic products, or bulky furniture and electrical appliances—there's a convenient size and form of KIMPAK to solve your packing problem.

Is KIMPAK easy to use in the shipping room?

KIMPAK ends all muss, fuss and waste in the shipping room because it's as easy to use as a piece of string...All you do is lay it on or wrap it around the article to be shipped.



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MARKETING ANGLES

A Bear on Television

"GENERAL USE of television in the homes is just round the corner for the stock salesman only," E. F. McDonald, Jr., president of the Zenith Radio Corp., this week wrote to Zenith stockholders impatient to know what the company proposed to do about the current television boom (BW—Oct 29 '38, p31). "The offering for sale of television receivers at this time, in view of the present state of the art is, in my opinion, unfair to the public, and premature, both for economic and technical reasons. . . . I do not believe the radio industry should ask the public to pay for its experimentation in television." For the present Zenith, which has the only license for an experimental television station in the Chicago area, intends to go on the air "in a period of weeks," and to release receivers, on loan only, to experienced people and engineers for experimental purposes.

Movie Quiz a "Lottery"

ALREADY SUFFERING from numerous headaches caused by its \$250,000 Movie Quiz Contest, the motion picture industry was handed another one recently when the attorney-general of Missouri decided that the quiz was a lottery. All headaches of the Motion Pictures Are Your Greatest Entertainment campaign to the contrary notwithstanding, the industry will probably run another campaign next year to celebrate its silver anniversary.

Macy's Seizes a Chance

AFTER the New York *Herald Tribune* polished off its eighth annual Forum on Current Problems last week, it reprinted the speeches in a special Sunday section of the paper. Though this was a happy hunting ground for a horde of advertisers, R. H. Macy's consumer ad was well out in front as an attention-getter. "Are You a Consumer?" said the headline, and there followed a list of 50 questions snipped from Macy's Consumer Quiz Club radio program, which any good consumer was supposed to be able to answer. Samples: "What's the difference between single and double damask?" "Are there any artificial flowers that won't get dusty?" Seven pages further on Macy printed the answers. "Don't Look Now," said the head, "but if you read your paper backwards, you haven't seen Macy's . . . questions which appear on page 4."

Hearn's Catches an Upswing

ANOTHER NEW YORK department store, Hearn's, the great bandwagon rider, is running a full page newspaper ad featuring recent newspaper headlines pointing to the upswing. "America Is On the Way UP," says the ad. "The Bargain Store of All the People Now Launches the



114 Wild Horses

Before the *preforming* process was developed, a wire rope was like a herd of wild horses—114 wild wires pulling and straining in all directions.

Released by snipping the wire that binds them together at the ends, the wires instantly spring apart, as one rope above has done. Even when the rope is not in use, those wild wires are always under the stress of trying to untwist and pull apart. Engineers call this "internal stress."

In "Flex-Set" Preformed Yellow Strand the wires are more like the tame, trained horses of a cavalry troop, because the wires have been permanently shaped to a helical form before becoming part of the rope. Snip the binding wire and there is not the slightest tendency to fly apart. This means that there is practically no internal stress.

Without internal stress, "Flex-Set" Preformed Yellow Strand is tractable, easy to handle, install and splice; it offers great resistance to kinking and fatigue. It operates smoothly and spools evenly. Best of all, it lasts longer than rope of regular construction.

"Flex-Set" Preformed Yellow Strand is saving money for road builders, general contractors, rotary drillers, operators of mines, lumber camps, manufacturing plants.

It will save you money, too. Write for full details to any of our offices, branches or distributors.

* The most generally used wire ropes consist of 6 strands of 19 wires each—114 in all.

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria. Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

**"FLEX-SET" PREFORMED
YELLOW STRAND**

Greatest November in All Hearn's History." Hearn's hasn't missed an upswing in the past four years. The current one must be official now.

True Story Goes Virile

True Story magazine is doing some housecleaning. Claiming that it's the one woman's magazine with a substantial male readership, the December issue introduces a new department especially for its male readers, called "Man About the House," featuring letters from men readers on walnuts as a hobby, how to take care of your car, how to paint around the house, and party games. This feature appears in *True Story's* Home-maker Department. Next month (January) *True Story* changes its cover, drops Hollywood beauties in favor of pictures of typical readers.

TRANSPORTATION

Ships Change Names

Dollar boats are now the American President Lines. Service is resumed.

THE OLD Dollar Steamship Lines, which resume their transpacific and round-the-world services this week under the control of the Maritime Commission, have been rechristened the American President Lines. All 13 vessels which have been taken over from their former owners are named after Presidents of the United States and are already familiarly known in many ports as "the President boats."

The reorganized service was resumed

this week with the sailing of the *President Adams* from Atlantic ports, and the *President Monroe* from the West Coast. The new schedule provides weekly sailings from Los Angeles and San Francisco to the Orient, and fortnightly sailings around the world. Shanghai is not yet included as a port of call, but the liners will stop at Yokohama as well as Kobe in Japan.

Liners with which the service is being resumed as the American President Lines (all of them reconditioned and redecorated) are the *Adams*, *Van Buren*, *Monroe*, *Garfield*, *Polk*, *Taft*, *Harrison*, *Pierce*, *Cleveland*, *Lincoln*, *Hayes*, *Wilson*, and *Coolidge*.

This "Airport" Moves

It goes to the scene of an airplane accident and makes needed repairs.

THE AVIATION INDUSTRY thinks there are large possibilities in the idea of a "mobile airport," such as the one designed by Kibbey W. Couse, of the Couse Laboratories, East Orange, N. J. The Ford V-8 engine of this 12-ton juggernaut will hurl it over the pavements at 45 miles per hour. Off the pavements, through rough terrain and marsh, it will move right up to the scene of a crash, crawling on its smooth steel belly, which protects all brake rods and other automotive protuberances.

The underlying conception of the mobile airport arose from the fact that many aircraft crashes occur away from airports and in rough country, so that it would often be far simpler to bring a repair shop to a downed plane, than a plane to a shop. The outfit is designed

to be so complete that it can rebuild almost any part or parts of a plane right on the spot, even to the cutting of new gears and the production of fairly large sections of new wing and tail surfaces.

To this end Mr. Couse's equipment includes over 3,000 pieces of material and equipment, including a complete machine shop, a two-way radio system, 24 floodlights for night work, a 2-ton boom spar, a 10-kw. electric generator, and even a still to purify water for storage batteries and other purposes.

Spare wheels are ingeniously mounted so that they are in position to act as bumpers or pushers when required. A plow is so placed with relation to the front axle that it spreads grass and earth in such a way as to give better traction to the vehicle in rough and boggy terrain. When the going promises to be particularly tough continuous crawler treads can be looped over each pair of double-tired wheels on the double-axled rear-end before the mobile airport drives off the highway.

Air Field Policy

Roosevelt launches work on D. C. port. Precedent given to cities asking for federal funds.

WASHINGTON (Business Week Bureau)—After Congress butterfingers this capital's dire need of an airport for a dozen years, the President suddenly took over during recess without bothering to quote his authority. This week dredges start making land on the Potomac banks at Gravelly Point, 10 minutes from the White House, for a \$10,000,000 model layout. More important, the nation's cities will surely use this precedent to de-



When the Couse Mobile Airport has to leave the highways to service aircraft crashes, a plow spreads earth and grass in front of its wheels for better traction, and a polished steel "belly" protects brake rods and other



underframe parts. When night work is called for, the port carries its own battery of 24 floodlights plus a 24-kw. generator. Here a plane has been repaired and is ready to take off.

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mand more federal millions for airport construction and improvement, regardless of what the Air Authority recommends to Congress in January. (Since April, 1935, WPA and other agencies have dished up \$90,000,000.)

When the airway system in 1926 started to grow rapidly under Post Office contracts, chambers of commerce on the lines, and many that hoped to be, whooped up city bonds to build airports. Now, new situations throw them into reverse. They find that air travelers keep on going to their destinations, spending not a dime in way towns. Airplanes are bigger and faster and the airlines, operating under government safety rules, demand longer runways at municipal expense. Cities realize they are supporting interstate commerce airways for no returns. And to those realizations is added the new habit of forking into Washington's paper Klondike for public funds. So nobody wants to build or support airports.

Airport Survey Authorized

In fact the municipal associations went up Capitol Hill last Congress and demanded provisions for federal airport money in the pending civil aeronautics bills. Fearing that the legislation would be blocked by Treasury watch-dogs, sponsors satisfied the cities by writing into the Civil Aeronautics Act a provision for a survey of the national airport system by the Authority and a recommendation to Congress by Feb. 1, 1939, whether or not the government should participate with money, and, if so, how much.

Right now the Authority has a couple of platoons at work, one in the field and one in Washington, gathering and coordinating statistics. But many pertinent facts have already been disclosed, in a 46-page paper-bound book, "The Airport Dilemma," prepared jointly by the American Society of Planning Officials and the American Municipal Association, and published a few days ago by the Public Administration Service, Chicago, at a price of \$1.

This book shows that on Jan. 1, 1937, there were 2,299 airports of all kinds in the country, and that a study of the finances of 1,137 airports as of that date reveals that their total capital investment was \$151,530,605, their gross income \$2,281,387, and their operating expenditures \$3,062,938.

City Facilities Lose Money

In a 1930 survey, "31 cities reported an average annual cost of \$27,052 for maintenance and operation," the book continues. "In a 1936 survey, 20 of these same cities reported an average cost of \$29,683. This same survey showed that the average operating cost for 80 municipally owned airports reporting was \$19,862. . . . Of the 84 municipal airports answering the question, 'What is the annual profit or loss on your

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NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

port?," 78 replied that they incurred a loss in 1936. This loss totaled \$1,039,936 for the 78 airports, and averaged \$13,332 per port. Only six airports reported a profit," averaging \$561. But these figures, the book points out, covered only cost of operation, excluding depreciation, interest, etc. Actually not one of the 84 had a profit.

Undoubtedly the Civil Aeronautics Authority will recommend a big expenditure to make airports safe. And Congress will comply.

President Uses Power

The airport push starts now, as the President takes jurisdiction away from an absent Congress. And nobody here blames him. The Airline Pilots' Association threatened to stop operations on the capital's allegedly dangerous Washington-Hoover field. Then, after a number of pilots appealed to him for intervention, he felt the responsibility they thus placed upon him, and he said he dreamed of seeing a terrible accident on the field. This spring the Civil Aeronautics Act was passed, with considerable air power for the executive. It is from that law he probably will quote chapter and verse as authority for his D.C. airport.

The law says that the administrator, who reports to the President, and who is in charge of airways, can "acquire, establish . . . air navigation facilities." In another place it says he cannot acquire airports by purchase or condemnation. But it doesn't say he cannot build them. So, by neat interpretation, the President may call an airport a facility and build one.

Thus he puts Washington at the head of the parade for a federal airport system that may some day reach the magnitude of the federal highway system.

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Stock Market Awaits Election

Despite good news and bad, traders play safe and the volume of trading declines. Railroad wage report is counterbalanced by higher carloadings.

THE STOCK MARKET this week had a fairish amount of good news—some of it industrial and some of it political—and it had some which wasn't so good. Neither kind cut much ice. Trading had entered pre-election doldrums.

It presented quite a contrast to October transactions. Last month witnessed only one day with less than 1,000,000 shares on the New York Stock Exchange, while six days rang up volume over 2,000,000 and the month's average was 1,662,338. This week opened with 1,090,000 shares on Monday, and Wednesday chalked up only 780,000, the smallest since Sept. 27. Smaller volume than this has been seen often enough in the last two or three years, but it's quite a comedown by the standards of the last three months.

On the side of bad news, the railroads were faced this week with the fact that there wasn't going to be any 15% cut in wages. Yet there was little response marketwise.

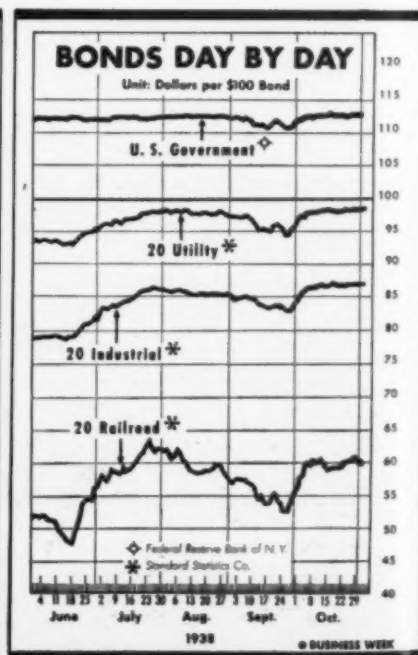
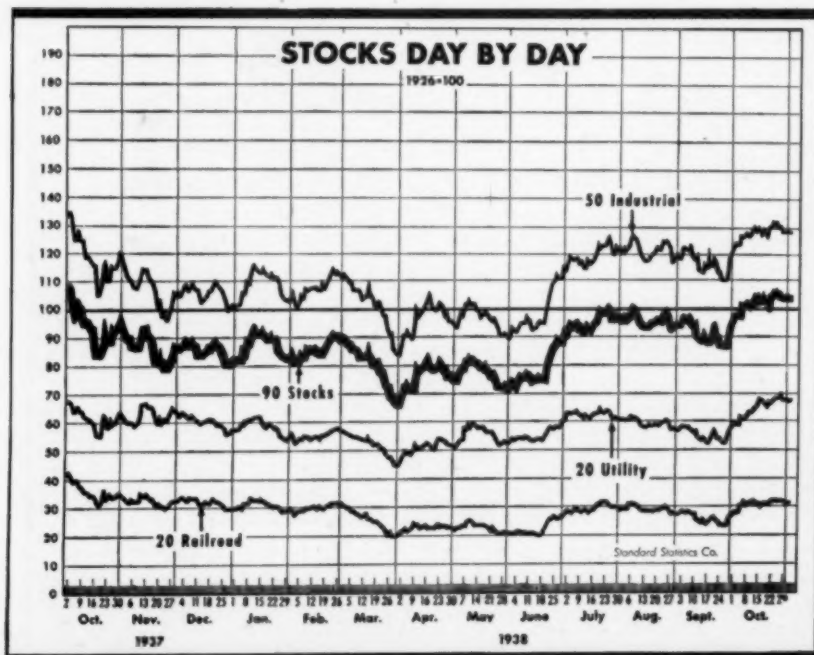
On the other side, there was equally little response to the new 1938 high in steel operations at nearly 57% of capac-

ity. Nor has there been anything approaching a demonstration in the auto shares, even though everyone expects a lot of hoopla in connection with the opening of the New York show on Armistice Day. And there's been very little evidence of buying in merchandising shares on the prospect of good holiday retail trade.

Carloadings Expand

Probably the unseasonal rise of carloadings in the last week of October helped rails shake off the no-wage-cut report of the President's special committee. Loadings last month give rise to hopes of gross for the carriers well in excess of September's \$50,361,823 and not too far below the \$60,747,445 for October of 1937.

Rail shares perhaps were aided somewhat, too, by the Washington announcement that there would be collaboration in working out a comprehensive program (although what program is just as vague as ever). Another helpful item from the capital involved the cheering conversation between Electric Bond & Share's



C. E. Groesbeck and President Roosevelt. Washington's mood at the moment encourages hope in financial circles that there is henceforth to be less antagonism between business and government. But fingers will be kept crossed for fear there will be no more sweetness and light after the votes have been counted.

Similar waiting tendencies continue to mark most of the commodity markets. Most experts look for further price appreciation in leading industrial raw materials—such as rubber and the metals—if the expected improvement in business materializes this winter. Developments pricewise in the last fortnight, however, have been insignificant. Industry apparently has covered its immediate requirements of most raw materials, is content to buy more if and when they are needed or if and when prices show further signs of stiffening.

Steel Not Hard Hit

Third quarter proved break-even point is lower than generally expected.

THE STEEL INDUSTRY didn't do so badly in the third quarter after all. True, major companies sustained substantial losses. But the sharp reductions in prices and the elimination of basing-point differentials by United States Steel Corp. on June 24 did not exactly create havoc in profit-and-loss statements, despite the dire predictions of most Wall Street statisticians.

After the U. S. Steel move, investment analysts began figuring what rate of operations would be necessary for major companies to break even. And the estimates ranged anywhere from 50% to 60%—usually closer to the higher figure (BW—Aug 20 '38, p16). At the time BUSINESS WEEK pointed out that those estimates were too high, that 47% to 51% would come closer to actuality.

Can Break Even at 45%-48%

Now, third-quarter reports show that the industry can break even operating at 45% to 48% of capacity, despite the general price reduction and the fact that leading companies have been unsuccessful in getting a reduction in wages. A 32% increase in operating schedules, from 30.8% of capacity to 40.8%, enabled the industry to do about as well in the September quarter as in the June one. Losses for 9 leading companies: third quarter, \$8,120,000; second quarter, \$8,263,000.

Currently, the steel operating rate is well above 50%, which suggests that the industry may operate in the black in the final quarter. The "catch" is the recent price war. A large part of sheet and strip shipments to automobile companies will be billed at the cut prices of a few weeks ago. Not until 1939 will the industry be getting its listed prices on all products.

More Reform Coming

SEC and New York Stock Exchange cooperate to protect the investor.

THE Securities and Exchange Commission and the New York Stock Exchange this week moved to protect the investor. Each promulgated a set of rules for extensive revision of stock exchange practice, the main point of which was to assure the buyer of securities that his money will be safer when he gives it to a broker.

The rules, in the main, are complicated

and couched in technical language. Those adopted by the New York Stock Exchange don't cover quite all the points that the SEC wants covered. Yet the whole is the outgrowth of a series of round-table talks between SEC Chairman W. O. Douglas and leading officials of the Big Board, and the result at once was acclaimed as another triumph of cooperation.

SEC on the Whitney Case

In all the rules is clearly visible the effort to wipe out, so far as possible, the scandal caused by the failure of Richard Whitney & Co. early this year. Of the

Bond Men Meet to Discuss Self-Rule



Business at the annual convention of the Investment Bankers Association of America last week centered in very large degree around the Maloney act. That's the law providing self-regulation for the nation's 7,000 over-the-counter dealers. Leaders in the formal discussion, pictured above, were John K. Starkweather (left), who has headed the I.B.A.'s Maloney act committee; Nevil Ford (center), chairman of the similar committee of the Investment Bankers Conference; and Commissioner George C. Matheus of the SEC. Main problems still are cost and method of organization for self-regulation.

At the right are the retiring president of the I.B.A. and his successor—Francis E. Frothingham (left), who turned over the reins to the first far westerner ever to hold the job, Jean C. Witter of San Francisco. For the convenience of its new leader, the I.B.A. decided to hold its 1939 convention at Del Monte, Calif., instead of the familiar White Sulphur Springs, W. Va.





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Whitney affair, the SEC recently said: "Investigation has disclosed that for at least three and a half years prior to its failure, Richard Whitney & Co. had conducted its business as a member firm of the New York Stock Exchange while insolvent. Richard Whitney, as far back as 1926, had misappropriated a customer's securities entrusted to his care, and, beginning in 1936, such misappropriations became his regular practice. These circumstances . . . make pertinent a consideration of the adequacy and the operation of the then existing machinery of the New York Stock Exchange for the supervision and surveillance of its members."

SEC Wants Depository

So the SEC this week set forth its ideas on supervision and surveillance, not only as they will apply to the Big Board but to the smaller exchanges as well. The SEC, most of all, wants a depository where customers' securities and credit balances will be out of brokers' hands—thereby reducing the temptation of misappropriation.

In addition, the commission wants much more frequent reports on brokers' solvency, and wants the exchanges to send examiners around to check up on brokers' financial position more often—and without warning. It also asks that capital of brokers be larger in relation to their liabilities, and that capital used in underwriting operations be segregated from brokerage capital.

The New York Stock Exchange revealed, just after the SEC recommendations were made public, that most of them had been put into effect by vote of the governors last week, although the action had not been announced. It was stated, however, that the Big Board wants more time to study establishment of a central depository and of segregation of brokerage and underwriting capital.

The betting, nevertheless, is very strong that the central depository will be established, because Big Board President William McC. Martin, Jr., says he is strongly in favor of the idea. That means, ultimately, that \$2,000,000,000 worth of stocks and about \$200,000,000 of customers' credit balances will be turned over to such a "Stock Exchange Trust Company."

Small Exchanges Worry

On the matter of segregation of brokerage and underwriting capital, the big houses favor it and Mr. Martin wants it to be permissive for a while. It's largely a matter of how it affects the little fellow—and particularly, the SEC probably will soon learn, how it affects the little fellow who is a member of the small exchange. Small-exchange members feel that broker-dealer segregation, if carried very far, will ruin them.

For the time being, the belief is that the SEC will go along with the Big Board's request for time on the more con-

controversial points, having been granted so promptly such a large part of its suggested program for revision of brokerage technique.

Defend Tax-Exempts

State and local officials fight abolition of immunity, and they show strength.

ORGANIZED POLITICAL opposition to the abolition of tax exemption on bonds issued by federal, state, and local governments has become apparent. A few days ago the Conference of State Defense gathered and published statements from both state and municipal officials, and with this blast the movement became official.

But there has been concerted under-cover activity for some time now. It has been carried on by mayors of many leading cities who agree with the Conference of State Defense that the cost of raising money on bonds will be materially increased without tax exemption. Representatives of these mayors have gotten to the ears of important officials in the Treasury Department, and they have an argument that is giving Washington considerable concern. In fact, people who have studied the situation believe that removal of tax exemption is as good as licked.

Local representatives have talked about raising taxes to meet the added burden for debt service if exemption is ended. And, in looking around for sources of local revenues, they have hit on the idea of taxing federally owned properties—postoffices and federal court buildings, for example. This, they figure, wouldn't be any harder to justify on constitutional grounds than the federal move to end tax exemption.

FINANCIAL ANGLES

Optimism in Copper

PREDICTIONS ON DELIVERIES of copper to consuming industries during October are running so high that sober heads in the trade hesitate to mention them lest they be accused of undue optimism. They're talking of from 70,000 to 80,000 tons—against 53,000 in September. If such figures are achieved, it's a safe bet that conservatives in the trade will begin to worry about consuming industries buying far enough ahead to create a dangerous situation.

New Financing Trend

WHEN THE Investment Bankers Association met at its annual convention in White Sulphur Springs last week, there was a lot of talk about prospective bor-



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rowing. These bankers are convinced that the character of new issues will be quite different next year. Smaller concerns will be more prominent; few will actually be able to sell common stock, but many will be able to sell convertible debentures. There will be many issues, they opined, like the recent Carrier Corp. flotation of \$2,500,000 of 10-year, convertible debentures. Basically considered, that is a way of selling common stock for more than it would bring at the time of offering.

Morgenthau's Advice

A COMMITTEE of the New York State Chamber of Commerce has advised the United States to discontinue its silver buying policy, declaring that the Treasury has become a dump for the world's metal. Talking to the press, Sec. Morgenthau commented that the program is the law of the land and that those who don't like it should write to their Congressmen.

Investment Trust Rules

WITH PUBLICATION this week of another instalment in its series of investment trust studies, the Securities and Exchange Commission neared the end of these reports. It will be ready, during the next session of Congress, to come out with its final and most interesting report—recommendations for regulation. This week's study involved ownership and control, approaching with a particularly critical eye the many devices for retaining control without actually owning a controlling interest.

Reorganization Fees

GOVERNMENT DISSATISFACTION over fees in corporate reorganizations is becoming more and more marked. The courts have been granted greater power in determining reasonableness of claims; the SEC has a right to look into utility reorganizations under the Holding Company Law. The commission a few days ago exercised its powers for the first time in attacking requests for \$1,400,000 in the Standard Gas & Electric case. It declares that the criterion should be the services rendered, and it says "no one contends that this was a thoroughgoing reorganization."

That Annual Report

ONLY A FEW CITIES ever have succeeded in making annual reports interesting and readable. To lend a helping hand comes the International City Managers' Association which this week revealed that it has compiled recommendations that will aid hundreds of municipal officials. This plan tells how to set up the usually dusty financial statement; it tells what information to include on such matters as taxation and personnel; and it points out that local officials in the future will have an increasingly important story to tell about planning and housing.

BUSINESS ABROAD

Plan Trade War Strategy

Foreign traders seek Washington cooperation in effectively meeting sharp competition in foreign markets. Plans get under way.

TWO QUESTIONS were uppermost in the minds of all of the 1,000 delegates who attended the twenty-fifth annual convention of the National Foreign Trade Council this week, in New York. What is this country going to do to meet Germany's mounting trade competition in Latin America? Is a trade agreement with Germany possible, and will it also cover some of the most serious problems in other world markets where the two countries compete?

The convention provided no definite answer to either question, but it did provide the background for a full airing of the problems and a basis for some developments which can be expected in the future.

A Program Unfolds

Washington already has several moves under way.

There will be a strong delegation to the Pan American Conference which is to meet in Lima, Peru, early in December, and there may be some important developments though few people at the New York meeting this week look for anything spectacular.

Early next year it is likely that a trade mission will be sent from this country to tour the Latin American republics to study means of developing two-way trade. German barter tactics demand larger purchases by this country in several of the Latin American states if our exports are to be increased. This is particularly true in the case of Argentina, Uruguay, and Chile.

Our Department of Agriculture has other ideas. There are dreams in Washington of buying more tropical, non-competitive imports from these countries provided they prepare themselves to supply us on a quality and price basis comparable with that of their world competitors. Rubber, quinine, certain vegetable oils, sisal, tropical woods and fruits, and cocoa are a few of the products which might be developed on this basis. This is definitely a long-term proposition, but preliminary plans are being laid now.

Washington has invited Colonel Batista, Chief of Staff of the Cuban army and virtual dictator over Cuban affairs, to come to Washington to participate

in the celebrations on Armistice Day.

Export leaders at the convention listened to the addresses of Warren L. Pierson, head of the Export-Import Bank, and of other financial advisers in Washington without finding out exactly how far they can expect exceptional financial support in pushing business in Latin America. But the degree of interest which is now aroused in the potentialities of the EIB is expected to lead to more applications to the bank from business, and a period of considerably enlarged activity.

At the same time, with the encouragement of officials from Washington, various export groups are expected to work more closely together for the sake of the bargaining advantages when dealing with the centralized, and government-subsidized, German competition.

It is one of the Washington trade advisers who pointed out that, in spite of recent spectacular gains, Germany still does not supply as large a share of Latin American imports as in 1913. In 1913, Germany supplied 16.6% of the imports of the 20 Latin American republics. In 1937, this percentage was only 14.1. The United States in 1913 supplied only 25% of the imports of these countries, compared with 34.4% in 1937.

Nothing spectacular is likely to get under way in this country before the end of the year to combat keen German competition in Latin America, but before spring an aggressive campaign is likely to be outlined.

Developments in Latin America

Alarm over the outlook was heightened recently by the presidential election outcome in Chile, by nationalistic moves in Panama hitting foreign business, by rumors that the outlook for United States exports to the Argentine during the next six months has been clouded by the mounting adverse trade balance between the two countries and the threat that Buenos Aires may forcibly curtail imports until the trade balance improves.

While the successful presidential candidate in Chile is a millionaire and had been known in Chile as a moderate, he was elected on a Popular Front platform with the support of Communists as well as the local National Socialists. He

has promised to respect foreign capital, and for the first year that he is in office he will have a Conservative Congress. Nevertheless, United States interests which control the copper and nitrate businesses in Chile are nervous over the future, particularly in view of the example of expropriation set in Mexico.

The possibility of a trade agreement with Germany is not viewed very hopefully. Though the trade arrangement with the Soviet Union shows what can be done outside the normal framework of the reciprocal trade program when there is a will to do it, few people believe that Washington is very sympathetic to the German proposals unless they are greatly modified.

Japan Will Bargain

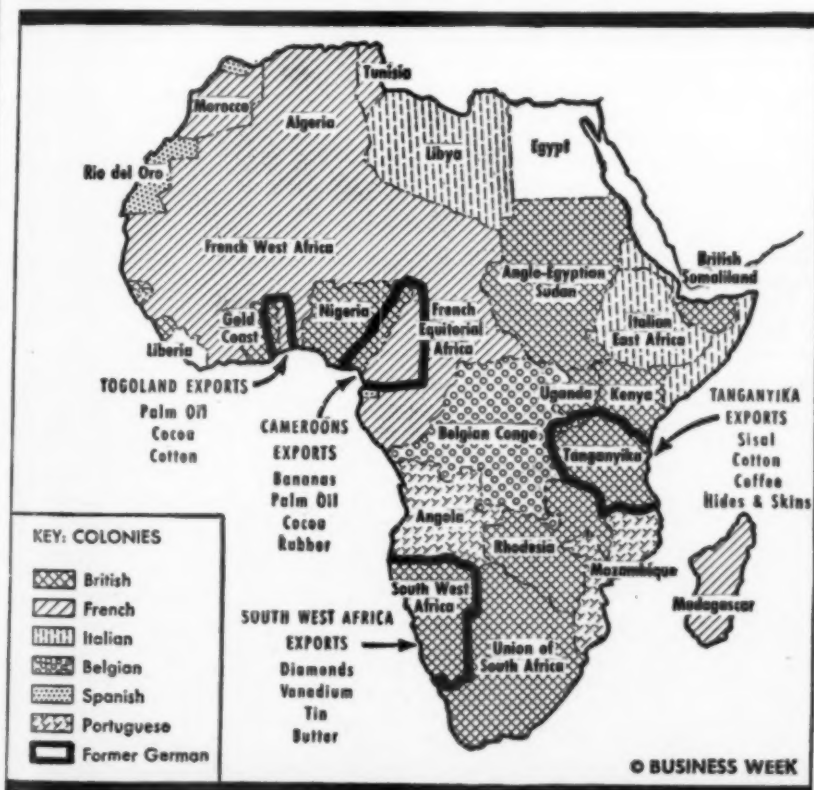
Trade prospects in the Far East are still unknown. In spite of the stiff Hull note to Tokyo, there is little doubt in the minds of most foreign traders that the "Open Door" policy in China is dead, except as it may be revived on a modified basis as a part of a new trade bargain which this country may be able

to negotiate with the Japanese. Bargaining will be keen on both sides, but there should be possibilities for profitable United States business based on Japan's need for credit and many kinds of heavy equipment which this country is especially well equipped to supply. The Japanese, enormously dependent on silk as a source of income, are extremely nervous over the development in the United States of the new fiber, now called nylon, which is expected to replace silk. If it can be used successfully in the hosiery industry, it will ultimately kill one of the industries which has contributed heavily to Japanese income.

Post-Munich Europe

In Europe, business and the general public are apparently taking a far less pessimistic point of view over post-Munich developments than is the United States. In Britain this week, there are a few faint signs of business optimism. France is distinctly more cheerful. But what is more significant that in neither country has an important opposition developed to the course the two govern-

Africa—Continent of Colonies

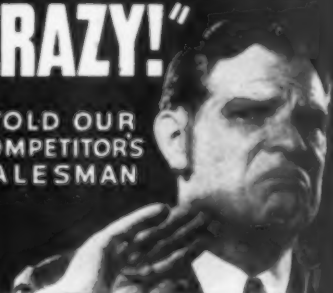


Both Paris and London believe that Hitler is preparing to make a formal demand for the return of the former German colonies. Of four African colonies, three were given to France and Britain, and one to the Union

of South Africa, itself a part of the British Empire. Until the German demands are known and some "deal" is accepted by the British, trade with the disputed areas is likely to remain stagnant.

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ments took at Munich. And in France there is a burgeoning belief that a Franco-British-German deal is in the making which will lead to wider appeasement in Europe and possibly to the restricting of the arms race.

Reich Enlarges Export Drive

BERLIN (Cable)—Export promotion and alleviation of the acute labor scarcity continue to be the main worries of business and government.

Germany imported huge quantities of all kinds of raw materials during the first nine months of this year, but there is no intention here of releasing these from the war emergency stocks for which they were intended, in spite of the fact that private industry is facing the most serious materials shortage in many years.

In order to maintain the present level of industrial activity and employment, it is necessary to import 6,000,000,000 marks worth of raw materials. This means that Germany must boost exports 2,000,000,000 marks above 1938 volume if export revenue is to cover import costs.

To assure an expansion of exports, Reich officials are preparing to create export sales quotas. The only way German manufacturers can meet these quotas is with the aid of additional government subsidies. This will intensify German competition in markets as far away as Latin America as well as in neighboring countries.

Britain Turns the Corner

LONDON (Cable)—British stock markets were hesitant this week, and trading volume was small, because of the unwillingness to go ahead with commitments until Parliament has a chance to state its new defense, foreign, and financial policies. Nevertheless, there were a few signs of business pickup. Beer output in September was the biggest for any September since 1930. Numerous industries report small gains in the volume of business. Stocks are low, and with recovery of consumer buying there are already evidences of restocking in a few lines.

London this week is betting that the Ukraine will be the next territorial objective of the Reich in Southeastern Europe. The British are much less disturbed over this prospect than over the fear that Germany is preparing to use Southeastern Europe as a base for a drive beyond the Mediterranean into the East. British exporters are already anxiously discussing possibilities for cooperative action as single units to meet Germany's government monopoly export machine.

Totalitarianism in France

PARIS (Wireless)—The French Popular Front is dead and buried. Daladier, in his recent violent denunciation of the Communists, has cut off any possibility of support from them. As long as he commands the undivided support of the Socialists, he is safe from Parliamentary

attack, but the slightest revolt over any point of domestic or foreign policy can overthrow him. Observers are frank in pointing out significant trends toward a totalitarian government in France, which would result in much closer ties with Germany.

Germany's formal demand for a return of her colonies in Africa is to be expected in the near future, and the full support of Mussolini and the Italians. Italy, in its turn backed by Germany, will make further claims at the same time, though they will not be for more territory. A violent press campaign against British rearmament is under way in Germany, while the Italian press is carrying on a campaign against the French. All of this is a part of the pressuring by each side. No letup is to be expected for a good many months.

Treaty Worries Canada

British concessions to United States are expected to hit Dominion's Empire business.

OTTAWA—Eleventh hour rumors regarding the terms of the trade pacts being concluded at Washington contain little to allay Canadian apprehension as to possible effects on this country's external trade. Concern is more for the British-American than for the Canada-United States pact. It has been anticipated from the first that Canada would have to make sacrifices of British tariff preferences under the old Ottawa agreements in order to enable Britain to grant such terms to the United States as would permit a treaty between the two major countries to be negotiated. Removal or lowering of the margins of preference for Canadian products—in some cases free entry as against substantial duty on foreign goods—will open to American competition considerable portions of the British market now virtually reserved for Canada. These preferences have increased Canadian sales to Britain by hundreds of millions of dollars in the last five years.

New U. S. Competition

Now it is feared Canadian products will also have to face easier competition from the United States in the other Empire markets. In manufactured goods—including automobiles—Canada has built up a considerable trade with the Dominions and colonies. The trade grew under the system of Empire preferences. If these preferences are reduced substantially under the pacts, Canadian goods will have to suffer the competition of American goods made under mass-production methods.

Some of the export business of Canadian subsidiaries of United States companies may be transferred to the parent plants below the border. Many subsidiary plants in Canada were built or expanded

Treaty Outlook

LONDON (Cable)—Insiders here insist that the pending Anglo-American trade agreement provides for a reduction or removal of duties on the bulk of United States fruit exports to Great Britain. British fruit growers are less alarmed than competitors in South Africa where large quantities of oranges and grapefruit are produced for the British market. Canadian apple growers also are likely to suffer.

Prospects for success of the negotiations are thought to have brightened in the last few days. The latest delay is not attributed here to the fall in the dollar-sterling exchange rate (that can be covered in a special clause as is the case in the French pact), but is blamed on American pressure for tariff cuts on motor cars, lard, timber, and tobacco.

to take advantage of the Empire preferences.

Canadian observers do not see yet the possibility of concessions from the United States sufficient to balance these anticipated losses.

Signs of Recovery

Canadian business in general is currently characterized by steadiness. Apart from seasonal fluctuations, some advance is being made over most of the fields. In many respects the October level was higher than September and, generally speaking, compared favorably with October, 1937. Among indications of current Canadian conditions are the following:

At \$214,000,000, dividend disbursements of Canadian companies during the first 10 months reached an all-time high, comparing with \$207,000,000 in 1937, and \$180,000,000 in 1936; current bank loans were substantially higher and bank clearings slightly higher in October than last year; carloadings are on a level with last year; railroad net earnings were about 15% better for September than in 1937; construction contracts awarded in October were about 7½% off from last year, showing a normal seasonal decline from September; the employment level at Oct. 1 was below that of the previous year.

Wheat to Market

Over 206,000,000 bushels of Western Canada's 334,000,000 bushel wheat crop, or about 75%, have gone into market channels. The highest percentage in the past at the end of October was 70% and ordinarily the delivery amounts to under 65%. The guaranteed price has brought the grain out.

I. T. & T.'s New Angle

Foreign manufacturing subsidiary will begin making electric refrigerators.

THE International Telephone & Telegraph Corp. is going into the electric refrigerator business abroad.

A long-term contract has just been negotiated between International Standard Electric Corp., I. T. & T.'s foreign manufacturing and distribution agency, and the Gibson Refrigerator Co., of Greenville, Mich., which provides for the manufacture of electric refrigerators in International Standard Electric Corp.'s foreign plants.

Domestic producers of all kinds of electrical goods which are sold directly to a mass consumer market pricked up their ears at the news because it has been rumored for some time that I. T. & T. has been studying plans for widening its manufacturing and distribution lines.

The bulk of International Standard

Electric business heretofore has been in the field of telephone, telegraph, and radio communications apparatus. In addition, the company has more recently developed railway signal, fire alarm, and public address systems, and some electrical medical equipment. All of these are sold mainly to governments, or to large corporations.

Plans to Expand Field of Work

The venture into the electric refrigerator field is the beginning of the much larger project of broadening the company's field of operations. Obviously it will require a certain amount of reorganization in the foreign manufacturing plants, and creation of a large new sales force.

Though International Standard Electric has some manufacturing and distribution facilities in Latin America, its main manufacturing plants are in Europe, and it is believed that the new project will be tried first in these plants, largest of which are in England, France, Germany, Belgium, and Hungary.

ing company in the Detroit area, have not yet voted on the deal. The Mexicans are expected to spend the proceeds from the sale of oil to this country for the purchase of United States refining equipment.

At about the same time, Mexican authorities announced a deal with Italy calling for the sale of about \$3,000,000 of oil to the Italians, the Mexicans to take payment in the form of rayon, yarn, and machinery.

Each of these deals further complicates the problem of the State Department in trying to solve the Mexican oil expropriation problem within the framework of President Roosevelt's "Good Neighbor" policy.

Earlier Deal Supplied Reich

The Fisher deal follows one made soon after the expropriation last spring when (W.R.) Davis & Co., Inc., of New York, arranged to distribute Mexican oil abroad on a basis of 40% in cash and 60% in materials. The bulk of this oil is believed to have been delivered to Germany, though small shipments were also made to Japan and Scandinavia. Total deliveries through the Davis company between March and October are reported to have amounted to \$6,000,000, about two-thirds of which went to Germany. The Davis deal is reported to have been concluded recently.

United States manufacturers were particularly perturbed over the Davis scheme because it automatically transferred to whatever country took the oil the market for important shipments of machinery heretofore largely supplied by the United States.

The Fisher deal gets around that problem, but confronts the oil companies and the State Department with the embarrassment of trying to force a settlement of the expropriated oil question while the oil is actually being distributed within the country.

At the same time, the State Department is girding itself for one of the most bitter trade wars since the rise of the dictatorships. Latin America is the battleground, and the rivals for this market are principally Germany and the United States.

Germany, forced to buy more than half of its oil requirements abroad, and pressed to find foreign markets for all kinds of machinery, is a natural outlet for the Mexicans. So are Italy and Japan, on a smaller scale.

Complex Situation Confronts U. S.

The unenviable job confronting Washington sums up something like this:

(1) Some basis must be found for settlement between Mexico and the oil companies which saves face on both sides, yet does not allow the precedent of uncompensated expropriation to be set, either in Mexico or elsewhere in Latin America.

(2) So long as the distribution of the

Mexican Oil Baffles U. S.

State Department embarrassed by a deal that will distribute expropriated product in this country. Mexico will buy machinery in exchange.

OUR NEIGHBOR'S OIL is still a worry to us.

Within a week, the Mexican government has made two deals for the sale of oil from the wells expropriated from British and United States companies seven months ago.

Roy R. Fisher, president of the Argo

Oil Corp. of Detroit, announced that he has made a deal with the Mexican authorities for distribution rights in the United States of surplus Mexican oil and oil products. Fisher insists that so far it is a personal deal because the directors of Argo, until now a purely local distribut-



Ex-owners' claims that their expropriated refineries in Mexico are being run down by neglect and poor management are vigorously denied by the workers, who have posted such signs as the one above on a refinery at Atzacapotzalco: "Look, in what state are the plants when run by Mexicans."

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oil is left to the Mexicans, they are forced to sell where they can because they need funds badly. If the totalitarian states take it, they are bound to get the return business, for they are in a position to dictate their favorite barter terms.

(3) Until the Mexican situation is settled, the whole "Good Neighbor" program in Latin America is jeopardized.

FOREIGN ANGLES

Longer Hours for Germans

JUST WHEN the United States begins to enforce legislation curtailing hours in industry, Germany is preparing to increase its working day. Dr. Ley, Minister of Labor, asserted in Berlin recently that the 8-hour day is "un-German," and started laying plans for lengthening working hours to meet the labor shortage which is becoming increasingly acute. The German move still has not precipitated a worldwide trend toward longer hours, though it is largely responsible for the recent French moves to nullify the 40-hour week laws in favor of longer working hours, with the wedge being made in the defense industries where an appeal to patriotism can be made.

Bootblacks' Wages and Hours

THE PROVINCE OF QUEBEC's new labor standards have reached shoe-shiners. Under a collective agreement between Montreal operators and the Catholic Union of Shoe Shine Workers the minimum wage is \$8 a week, and the maximum work week is 69 hours.

Graft or Inexperience

THE \$25,000,000 Argentine bond issue which was offered in this country this week became necessary when Buenos Aires started figuring up the cost of its lavish new Avenida Nueve de Julio. The amount paid for the expropriated property is known now to have been exorbitant, but the Argentine government has decided to chalk up the disagreeable situation to inexperience (rather than graft), and to foot the bill. The new issue consists of 10-year sinking fund bonds bearing 4½% interest, offered to the public at 95.5.

Ubiquitous Nippon

THE JAPANESE go after foreign business persistently and ingeniously. At the National Foreign Trade convention in New York this week, they were conspicuously the largest foreign delegation attending. Only the inability of convention managers to accommodate their proposal prevented them from having at the World Trade Dinner (convention highlight addressed by Secretary Hull) more than 100 representatives scattered in pairs at tables throughout the banquet hall.

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EDITORIALLY SPEAKING

BY DR. VIRGIL JORDAN

President of the National Industrial Conference Board

What Price Labor?

It is a perennial paradox of politics that public office occupants or aspirants are always proclaiming the principle that labor isn't a commodity but are forever trying to fix a price for it as though it were a leg of mutton or a bale of cotton. Now, of course, workers are not a commodity, except in Germany, Italy, Russia, and other planned paradises, where they occupy precisely the same position as sheep, oxen, or water-buffalo. Labor isn't and never was a commodity in this country; but you and I know that everywhere in the world, ever since Adam, the services of men and women must be sold by them and bought by somebody just like any commodity if they are to make a living. As a matter of fact, there is no other salable commodity but services, and the economic side of life never has been or will be anything but an exchange of services.

This is the No. 1 Fact in economics and politics, and if the class (any class) would memorize this little axiom they wouldn't flunk out so much. If you can get it firmly by the tail, it will lead you to the answer to the famous question of the moment: where's Elmer, and his pecan-shellers?

It's a long journey to get to the answer, but the first place to pause is at this thought: The price of everything you buy is the price of all the services that went into producing it and putting it into your hands. There are no real profits for anybody in the whole of this business of exchanging services except the things we get; and the only measure of them is the difference between what the things are worth to us and the labor they would cost us if we tried to produce them ourselves. All other profits are paper-profits, and they are not even written on paper, but in water. In the long run you soon see that nobody can take the profit out of the price of anything, because there isn't any. A lot of economists have been running a long time, but haven't got any nearer understanding this than most business men. In fact profit is the economic carrot that dangles forever before the nose of business, labor and the politician—the only successful perpetual motion device ever discovered in this donkey world.

The second rest-room in this long run is where we stop to realize that the only employer anyone can ever have is the man who buys the things that embody our services. The consumer employs all

labor; he is the real boss behind the scenes, and since everyone who works is a consumer, we all employ each other. The business executive behind his desk is only the go-between who makes the trade of your services against somebody else's, if he can. When the other consumer who really hires you won't buy your services, you're fired, and no NLRB can make him take you back. Business isn't an automatic machine for employing people and paying wages. It's a trick to get consumers to employ people and buy their services; and today it's getting to be quite a trick, too.

In this final stretch of the long run you come face to face with the fact that nobody, and no Body, can ever fix a price for anybody's services except the consumer who buys them. No employer ever can; no law and no administrator ever can. Any price that anyone tries to set for your services is bound to be wrong because nobody can know what they are worth except hundreds of millions of nameless consumers of them, who never meet anywhere in any committee but only in the market-place every instant of time. The minutes of their meetings are kept only in the fluid record of innumerable individual decisions by which they choose between your services and somebody else's. There is no appeal from their decision.

In this impersonal and implacable Supreme Court, the only Fair Labor Standard that is admissible, the only fair price for your services that is enforceable, is the price that somebody is willing to pay for the product that embodies them. If you take less they will buy you out; if you demand more you will be left with them on your hands. If somebody prevents you from selling them for what anybody is willing to pay, you will be unemployed. The only labor surplus you ever meet in the long run is the surplus of services that nobody wants to buy because they are not worth what they cost to anybody who has to exchange his own services for them. Whether they are found in the form of wheat, cotton, pecan-shellers or WPA workers, they are all the same in the end.

It's no use comforting oneself with the excuse that the price of this product is not exorbitant, or that two-bits an hour for that labor is very little. No matter how small you think the price you set for your services is, there are sure to be some consumers of them somewhere who will say, "We're not having any shelled pecans today, thank you."



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BUSINESS WEEK

The Journal of Business News and Interpretation

November 5, 1938

To Relate Cause and Effect

IN THE LAST FOUR MONTHS, this country has experienced a remarkable recovery from one of the most violent and severe economic collapses in its history. This recovery started in summer, when seasonal forces are neutral or adverse and at a moment when financial and business opinion, as reflected in the conversation of business and financial executives, was almost unanimously pessimistic for the immediate outlook. The common opinion was that although the autumn might show improvement, the summer would be terrible. In fact, when the upturn began—and it first showed up in the stock market—there was a common disposition to dismiss it as a speculative flurry. Once again the trusty bears were paraded, and the rise was attributed to “short-covering.”

In four months, we have almost forgotten the question of “Why did it start?” in pre-occupation with the question of “How far will it go?” But before we can even begin to answer the second question, we must find some rational answer to the first. The only basis for an understanding of the present and an appraisal of the future lies in an analysis of the past.

THE ANALYSIS of economic phenomena differs from that of the physical. In the laboratory, the guinea pigs can be fed overdoses of vitamin A and no vitamin B, and the consequences carefully checked with full assurance that nobody fed them C or D. But in the laboratory of political economy, the ailing human guinea pigs are simultaneously dosed with a variety of prescriptions, by a number of doctors. If the victim survives, each doctor is quite sure that it was his particular dope that did the trick. Conversely, if the victim languishes, each doctor blames the prescriptions of his rivals.

In the second quarter of 1938, our economy was very sick; in the third quarter, it sat up and took nourishment; and in the fourth quarter, it is giving evidence of a desire to go places and do things. How did it get that way?

Probably no one factor was exclusively responsible. Out of a number of influential forces, opinion could vary honestly as to the decisive weight of any one. Last week, for example, this page noted the powerful shot in the arm given by the liquidation of the Inactive Fund, which began in April and ran rapidly through the second quarter.

Yet another important influence is the tax act of 1938, with its virtual abolition of the undistributed profits tax and its vital amendment of the capital gains tax. From the autumn of 1937 to the date the new measure became law, the business men of the United States were of one opinion—that the repeal of the undistributed profits tax and a modification of the capital gains tax would remove pressures from our economy and bring into play dynamic forces of recovery. They “agitated” for it at the special session of Congress, and at the regular session. They testified for it at the Congressional hearings. They conducted, if you please, a “propaganda” campaign. But within a month after the tax reform measure became law, galvanic recovery had set in, as the “agitators” had argued it would, and as those Congressmen who sponsored the measure had predicted it would. On the basis of timing alone, one would rarely find a prettier example of cause and effect.

BUT ARGUMENT FROM SEQUENCE—the *post hoc ergo propter hoc* of the logicians—is one of the most dangerous, although the most popular of economic arguments. For it may well be more deceptive than conclusive; results may come to pass *despite* certain actions rather than *because* of them. We never can tell, because the guinea pigs are not under control. So, if we would appraise the relative effects of the many forces behind the current recovery, we must look beyond the mere fact of sequence. We must try to relate more accurately the several causes and effects that are involved. So, next week this page will take a look at the claim of the 1938 tax law revision to be counted as one of the forces responsible for the extraordinary improvement in the business outlook.

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